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March 31, 2021

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Executive Director  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, SC 29210

**Re: Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont  
Natural Gas Company, Inc.'s Cost Allocation Manual 2021  
Docket No. 2011-158-E**

Dear Ms. Boyd:

Pursuant to Order No. 2012-517 Approving the Joint Dispatch Agreement and Regulatory Conditions on file with this Commission in the above-referenced docket, please find enclosed the 2021 Cost Allocation Manual filed in North Carolina for Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc.

Sincerely,

Katie M. Brown

Enclosure

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Dawn Hipp (via email w/enc.)  
Carri Grube Lybarker (via email w/enc.)  
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The Honorable Jocelyn G. Boyd

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**Duke Energy Carolinas, LLC (DEC),  
Duke Energy Progress, LLC (DEP),  
and Piedmont Natural Gas Company, Inc.  
(Piedmont)**

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**Cost Allocation  
Manual - 2021**



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## A. INTRODUCTION

This Carolinas' Cost Allocation Manual ("CAM") documents the guidelines and procedures for allocating costs between the different business units impacting DEC, DEP, and Piedmont. The guidelines are intended to provide the foundation for proper identification and recording of transactions involving the exchange of services or goods between DEC, DEP, Piedmont and their Affiliates. These guidelines describe the allocation methods that are consistent with cost causation principles to ensure one Duke Energy entity does not subsidize another. Additional information on Duke Energy's internal controls and finance policies is available for Duke Energy employees on the employee Portal.

Per the Regulatory Conditions in the *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* issued September 29, 2016 by the North Carolina Utilities Commission ("Commission") in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682, as amended by the *Order Granting Motion to Amend Regulatory Conditions* issued by the Commission in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A, the following merger conditions apply to the CAM:

### 5.5 Charges for and Allocations of the Costs of Affiliate Transactions.

To the maximum extent practicable, all costs of Affiliate transactions shall be directly charged. When not practicable, such costs shall be assigned in proportion to the direct charges. If such costs are of a nature that direct charging and direct assignment are not practicable, they shall be allocated in accordance with Commission-approved allocation methods. The following additional provisions shall apply:

- (a) DEC, DEP, and Piedmont shall keep on file with the Commission a cost allocation manual (CAM) with respect to goods or services provided by DEC, DEP, or Piedmont, any Utility Affiliate, DEBS, any other Non-Utility Affiliate, Duke Energy, any other Affiliates, or any Nonpublic Utility Operation to DEC, DEP, or Piedmont. Piedmont will adopt DEC's and DEP's CAM.
- (b) The CAM shall describe how all directly charged, direct assignment, and other costs for each provider of goods and services will be charged between and among DEC, DEP, Piedmont, their Utility Affiliates, Non-Utility Affiliates, Duke Energy, any other Affiliates, and the Nonpublic Utility Operations, and shall include a detailed review of the common costs to be allocated and the allocation factors to be used.

- (c) The CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than March 31 of the year that the CAM is to be in effect. DEC, DEP, and Piedmont shall review the appropriateness of the allocation bases every two years, and the results of such review shall be filed with the Commission. Interim changes shall be made to the CAM, if and when necessary, and shall be filed with the Commission, in accordance with Regulatory Condition 5.6.
- (d) No changes shall be made to the procedures for direct charging, direct assigning, or allocating the costs of Affiliate transactions or to the method of accounting for such transactions associated with goods and services (including Shared Services provided by DEBS) provided to or by Duke Energy, other Affiliates, and the Nonpublic Utility Operations until DEC, DEP, or Piedmont has given 15 days' notice to the Commission of the proposed changes, in accordance with Regulatory Condition 5.6.

5.6 Procedures Regarding Interim Changes to the CAM or Lists of Goods and Services for which 15 Days' Notice Is Required.

With respect to interim changes to the CAM or changes to lists of goods and services, for which the 15-day notice to the Commission is required, the following procedures shall apply: the Public Staff shall file a response and make a recommendation as to how the Commission should proceed before the end of the notice period. If the Commission has not issued an order within 30 days of the end of the notice period, DEC, DEP, or Piedmont may proceed with the changes but shall be subject to any fully adjudicated Commission order on the matter. The provisions of Regulatory Condition 13.2 do not apply to advance notices filed pursuant to Regulatory Condition 5.5(c) and (d). Such advance notices shall be filed in Docket Nos. E-7, Sub 1100A, E-2, Sub 1095A, and G-9, Sub 682A.

In addition to the CAM as a cost charging guide, DEC, DEP, and Piedmont use OpenPages to track compliance with regulatory requirements. OpenPages is administered by Corporate Compliance, which serves DEC, DEP, and Piedmont. OpenPages allows a regulatory requirement to be broken down into actionable tasks and assigned to one or more individuals. Individuals must complete tasks assigned and report completion by a certain date. OpenPages is integral to DEC's, DEP's, and Piedmont's culture of compliance.

## B. SUMMARY OF CORPORATE STRUCTURE <sup>1</sup>

AS OF DECEMBER 31, 2020

### Duke Energy Corporation

- Bison Insurance Company Limited
  - NorthSouth Insurance Company Limited
- Cinergy Corp.
  - Cinergy Global Resources, Inc.
  - Duke Energy Renewables Holding Company, LLC
    - Duke Energy Breeze Holdings, LLC
    - Duke Energy Commercial Enterprises, Inc.
    - Duke Energy Renewables, Inc.
      - Duke Energy Renewables Commercial, LLC
      - Duke Energy Renewables Solar, LLC
      - Duke Energy Renewables Wind, LLC
      - Duke Energy Renewable Services, LLC
      - REC Solar Commercial Corporation
      - Duke Ventures II, LLC
      - Symphony Wind Holdings, LLC
      - Duke Energy Renewables Storage, LLC
      - Duke Energy Renewables Solar Holdings, Inc.
      - Duke Energy Sun Holdings, LLC
- Cinergy Receivables Company, LLC
- Duke Energy Indiana, LLC
- Duke Energy Ohio, Inc.
  - Duke Energy Beckjord, LLC
  - Duke Energy Kentucky, Inc.
  - KO Transmission Company
  - Miami Power Corporation
  - Ohio Valley Electric Corporation
  - Tri-State Improvement Company
- Duke Energy SAM, LLC
- Duke Energy Transmission Holding Company, LLC
- Duke Technologies, Inc.
  - Duke Energy One, Inc.
- Progress Fuels, LLC
- Duke Energy Clean Energy Resources, LLC
- Duke Energy Renewables NC Solar, LLC
- Duke Energy Pipeline Holding Company, LLC
  - Duke Energy ACP, LLC
  - Duke Energy Sabal Trail, LLC
  - Piedmont ENCNG Company, LLC
  - Piedmont Constitution Pipeline Company, LLC
  - DEPHCO Logistics, LLC
  - Duke SustainRNG Holding Corp.
- Duke Energy Carolinas, LLC
- Duke Energy Corporate Services, Inc.
  - Duke Energy Business Services LLC
- Duke Energy Registration Services, Inc.
  - Duke Energy Americas, LLC

- Duke Energy International, LLC
- Progress Energy, Inc.
  - Duke Energy Progress, LLC
  - Florida Progress, LLC
    - Duke Energy Florida, LLC
  - Strategic Resource Solutions Corp.
- Piedmont Natural Gas Company, Inc.
  - Piedmont Energy Partners, Inc.
  - Piedmont Hardy Storage Company, LLC

<sup>1</sup> This presentation of the Duke Energy Corporation Corporate Structure is a simplified and partial legal entity view.

## **C. NORTH CAROLINA CODE OF CONDUCT**

*(as approved by the North Carolina Utilities Commission)*

This section contains the complete text of the "official" North Carolina Code of Conduct (hereinafter "Code of Conduct" or "Code"), approved by the North Carolina Utilities Commission, which governs DEC's, DEP's, and Piedmont's transactions with affiliates. This Code applies in North Carolina and South Carolina.

### **CODE OF CONDUCT GOVERNING THE RELATIONSHIPS, ACTIVITIES, AND TRANSACTIONS BETWEEN AND AMONG THE PUBLIC UTILITY OPERATIONS OF DEC, THE PUBLIC UTILITY OPERATIONS OF DEP, THE PUBLIC UTILITY OPERATIONS OF PIEDMONT, DUKE ENERGY CORPORATION, OTHER AFFILIATES, AND THE NONPUBLIC UTILITY OPERATIONS OF DEC, DEP, AND PIEDMONT**

#### **I. DEFINITIONS**

For the purposes of this Code of Conduct, the terms listed below shall have the following definitions:

**Affiliate:** Duke Energy and any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by Duke Energy. For purposes of this Code of Conduct, Duke Energy and any business entity controlled by it are considered to be Affiliates of DEC, DEP, and Piedmont, and DEC, DEP, and Piedmont are considered to be Affiliates of each other.

**Commission:** The North Carolina Utilities Commission.

**Confidential Systems Operation Information or CSOI:** Nonpublic information that pertains to Electric Services provided by DEC or DEP, including but not limited to information concerning electric generation, transmission, distribution, or sales, and nonpublic information that pertains to Natural Gas Services provided by Piedmont, including but not limited to information concerning transportation, storage, distribution, gas supply, or other similar information.

**Customer:** Any retail electric customer of DEC or DEP in North Carolina and any Commission-regulated natural gas sales or natural gas transportation customer of Piedmont located in North Carolina.

**Customer Information:** Non-public information or data specific to a Customer or a group of Customers, including, but not limited to, electricity consumption, natural gas consumption, load profile, billing history, or credit history that is or has been obtained or compiled by DEC, DEP, or Piedmont in connection with the supplying of Electric Services or Natural Gas Services to that Customer or group of Customers.

**DEBS:** Duke Energy Business Services, LLC, and its successors, which is a service company Affiliate that provides Shared Services to DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations of DEC, DEP, or Piedmont, singly or in any combination.

**DEC:** Duke Energy Carolinas, LLC, the business entity, wholly owned by Duke Energy, that holds the franchise granted by the Commission to provide Electric Services within DEC's North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

**DEP:** Duke Energy Progress, LLC, the business entity, wholly owned by Duke Energy, that holds the franchises granted by the Commission to provide Electric Services within the DEP's North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

**Duke Energy:** Duke Energy Corporation, is the current holding company parent of DEC, DEP, Piedmont, and any successor company.

**Electric Services:** Commission-regulated electric power generation, transmission, distribution, delivery, and sales, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, standby service, backups, and changeovers of service to other suppliers.

**Fuel and Purchased Power Supply Services:** All fuel for generating electric power and purchased power obtained by DEC or DEP from sources other than DEC or DEP for the purpose of providing Electric Services.

**Fully Distributed Cost:** All direct and indirect costs, including overheads and an appropriate cost of capital, incurred in providing goods or services to another business entity; provided, however, that (a) for each good or service supplied by DEC, DEP, or Piedmont, the return on common equity utilized in determining the appropriate cost of capital shall equal the return on common equity authorized by the Commission in the supplying utility's most recent general rate case proceeding; (b) for each good or service supplied to DEC, DEP, or Piedmont, the appropriate cost of capital shall not exceed the overall cost of capital authorized in the supplying utility's most recent general rate case proceeding; and (c) for each good or service supplied by DEC, DEP, or Piedmont to each other, the return on common equity utilized in determining the appropriate cost of capital shall not exceed the lower of the returns on common equity authorized by the Commission in DEC's, DEP's, or Piedmont's most recent general rate case proceeding, as applicable.

**JDA:** Joint Dispatch Agreement, which is the agreement as filed with the Commission in Docket Nos. E-7, Sub 986, and E-2, Sub 998, on June 22, 2011, and as amended and refiled on June 12, 2012.

**Market Value:** The price at which property, goods, or services would change hands in an arm's length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

**Merger:** All transactions contemplated by the Agreement and Plan of Merger between Duke Energy and Piedmont.

**Natural Gas Services:** Commission-regulated natural gas sales, natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, and standby service.

**Non-affiliated Gas Marketer:** An entity, not affiliated with DEC, DEP, or Piedmont, engaged in the unregulated sale, arrangement, brokering, or management of gas supply, pipeline capacity, or gas storage.

**Nonpublic Utility Operation:** All business operations engaged in by DEC, DEP, or Piedmont involving activities (including the sales of goods or services) that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

**Non-Utility Affiliate:** Any Affiliate, including DEBS, other than a Utility Affiliate, DEC, DEP, or Piedmont.

**Personnel:** An employee or other representative of DEC, DEP, Piedmont, Duke Energy, another Affiliate, or a Nonpublic Utility Operation, who is involved in fulfilling the business purpose of that entity.

**Piedmont:** Piedmont Natural Gas Company, Inc., the business entity wholly owned by Duke Energy, that holds the franchise granted by the Commission to provide Natural Gas Services within its North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

**Progress Energy:** Progress Energy, Inc., which is the former holding company parent of DEP, is a subsidiary of Duke Energy, and any successors.

**Public Staff:** The Public Staff of the North Carolina Utilities Commission.

**Regulatory Conditions:** The conditions imposed by the Commission in connection with or related to the Merger.

**Shared Services:** The services that meet the requirements of the Regulatory Conditions approved in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682, or subsequent orders of the Commission and that the Commission has explicitly authorized DEC, DEP, and

Piedmont to take from DEBS pursuant to a service agreement (a) filed with the Commission pursuant to G.S. 62-153(b), thus requiring acceptance and authorization by the Commission, and (b) subject to all other applicable provisions of North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

**Shipper:** A Non-affiliated Gas Marketer, a municipal gas customer, or an end-user of gas.

**Utility Affiliates:** The regulated public utility operations of Duke Energy Florida, LLC (“DEF”), Duke Energy Indiana, LLC (“DEI”), Duke Energy Kentucky, Inc. (“DEK”) and Duke Energy Ohio, Inc. (“DEO”).

## **II. GENERAL**

This Code of Conduct establishes the minimum guidelines and rules that apply to the relationships, transactions, and activities involving the public utility operations of DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations of DEC, DEP, and Piedmont, to the extent such relationships, activities, and transactions affect the public utility operations of DEC, DEP, and Piedmont in their respective service areas. DEC, DEP, Piedmont, and the other Affiliates are bound by this Code of Conduct pursuant to Regulatory Condition 6.1 approved by the Commission in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682. This Code of Conduct is subject to modification by the Commission as the public interest may require, including, but not limited to, addressing changes in the organizational structure of DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations; changes in the structure of the electric industry or natural gas industry; or other changes that warrant modification of this Code.

DEC, DEP, or Piedmont may seek a waiver of any aspect of this Code of Conduct by filing a request with the Commission showing that circumstances in a particular case justify such a waiver.

## **III. STANDARDS OF CONDUCT**

### **A. Independence and Information Sharing**

1. Separation - DEC, DEP, Piedmont, Duke Energy, and the other Affiliates shall operate independently of each other and in physically separate locations to the maximum extent practicable; however, to the extent that the Commission has approved or accepted a service company-to-utility or utility-to-utility service agreement or list, DEC, DEP, Piedmont, Duke Energy, and the other Affiliates may operate as described in the agreement or list on file at the Commission. DEC, DEP, Piedmont, Duke Energy, and each of the other Affiliates shall maintain separate books and records. Each of DEC's, DEP's, and Piedmont's Nonpublic Utility Operations shall maintain separate records from those of DEC's, DEP's, and Piedmont's public utility operations to ensure appropriate cost allocations and any arm's-length-transaction requirements.

2. Disclosure of Customer Information:

- (a) Upon request, and subject to the restrictions and conditions contained herein, DEC, DEP, and Piedmont may provide Customer Information to Duke Energy or another Affiliate under the same terms and conditions that apply to the provision of such information to non-Affiliates. In addition, DEC and DEP may provide Customer Information to their respective Nonpublic Utility Operations under the same terms and conditions that apply to the provision of such information to non-Affiliates.
- (b) Except as provided in Section III.A.2.(f), Customer Information shall not be disclosed to any Affiliate or non-affiliated third party without the Customer's consent, and then only to the extent specified by the Customer. Consent to disclosure of Customer Information to Affiliates of DEC, DEP, and Piedmont or to DEC's or DEP's Nonpublic Utility Operations may be obtained by means of written, electronic, or recorded verbal authorization upon providing the Customer with the information set forth in Attachment A; provided, however, that DEC, DEP, and Piedmont retain such authorization for verification purposes for as long as the authorization remains in effect. Written, electronic, or recorded verbal authorization or consent for the disclosure of Piedmont's Customer Information to Piedmont's Nonpublic Utility Operations is not required.
- (c) If the Customer allows or directs DEC, DEP, or Piedmont to provide Customer Information to Duke Energy, another Affiliate, or to DEC's or DEP's Nonpublic Utility Operations, then DEC, DEP, or Piedmont shall ask if the Customer would like the Customer Information to be provided to one or more non-Affiliates. If the Customer directs DEC, DEP, or Piedmont to provide the Customer Information to one or more non-Affiliates, the Customer Information shall be disclosed to all entities designated by the Customer contemporaneously and in the same manner.
- (d) Section III.A.2. shall be permanently posted on DEC's, DEP's and Piedmont's website(s).
- (e) No DEC, DEP, or Piedmont employee who is transferred to Duke Energy or another Affiliate, shall be permitted to copy or otherwise compile any Customer Information for use by such entity except as authorized by the Customer pursuant to a signed Data Disclosure Authorization. DEC, DEP, and Piedmont shall

not transfer any employee to Duke Energy or another Affiliate for the purpose of disclosing or providing Customer Information to such entity.

(f) Notwithstanding the prohibitions in this Section III.A.2.:

- (i) DEC, DEP, and Piedmont may disclose Customer Information to DEBS, any other Affiliate, or a non-affiliated third party without Customer consent to the extent necessary for the Affiliate or non-affiliated third party to provide goods or services to DEC, DEP, or Piedmont and upon the written agreement of the other Affiliate or non-affiliated third-party to protect the confidentiality of such Customer Information. To the extent the Commission approves a list of services to be provided and taken pursuant to one or more utility-to-utility service agreements, then Customer Information may be disclosed pursuant to the foregoing exception to the extent necessary for such services to be performed.
  - (ii) DEC and DEP may disclose Customer Information to their Nonpublic Utility Operations without Customer consent to the extent necessary for the Nonpublic Utility Operations to provide goods and services to DEC or DEP and upon the written agreement of the Nonpublic Utility Operations to protect the confidentiality of such Customer Information.
  - (iii) DEC, DEP, and Piedmont may disclose Customer Information to a state or federal regulatory agency or court of competent jurisdiction if required in writing to do so by the agency or court.
- (g) DEC, DEP, and Piedmont shall take appropriate steps to store Customer Information in such a manner as to limit access to those persons permitted to receive it and shall require all persons with access to such information to protect its confidentiality.
  - (h) DEC, DEP, and Piedmont shall establish guidelines for its employees and representatives to follow with regard to complying with this Section III.A.2.
  - (i) No DEBS employee may use Customer Information to market or sell any product or service to DEC's, DEP's, or Piedmont's Customers, except in support of a Commission-approved rate schedule or program or a marketing effort managed and supervised directly by DEC, DEP, or Piedmont.
  - (j) DEBS employees with access to Customer Information must be prohibited from making any improper indirect use of the data,

including directing or encouraging any actions based on the Customer Information by employees of DEBS that do not have access to such information, or by other employees of Duke Energy or other Affiliates or Nonpublic Utility Operations of DEC and DEP.

- (k) Should any inappropriate disclosure of DEC, DEP, or Piedmont Customer Information occur at any time, DEC, DEP, or Piedmont shall promptly file a statement with the Commission describing the circumstances of the disclosure, the Customer information disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

3. The disclosure of Confidential Systems Operation Information of DEC, DEP, and Piedmont shall be governed as follows:

- (a) Such CSOI shall not be disclosed by DEC, DEP, or Piedmont to an Affiliate or a Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates contemporaneously and in the same manner. Disclosure to non-Affiliates is not required under the following circumstances:
  - (i) The CSOI is provided to employees of DEC or DEP for the purpose of implementing, and operating pursuant to, the JDA in accordance with the Regulatory Conditions approved in Docket Nos. E-7, Sub 986, and E-2, Sub 998.
  - (ii) The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.
  - (iii) A state or federal regulatory agency or court of competent jurisdiction over the disclosure of the CSOI requires the disclosure.
  - (iv) The CSOI is provided to employees of DEBS pursuant to a service agreement filed with the Commission pursuant to G.S. 62-153.
  - (v) The CSOI is provided to employees of DEC's, DEP's, or Piedmont's Utility Affiliates for the purpose of sharing best practices and otherwise improving the provision of regulated utility service.
  - (vi) The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.
  - (vii) Disclosure is otherwise essential to enable DEC or DEP to provide Electric Services to their Customers or for Piedmont to provide Natural Gas

Services to its Customers.

- (viii) Disclosure of the CSOI is necessary for compliance with the Sarbanes-Oxley Act of 2002.
- (b) Any CSOI disclosed pursuant Section III.A.3.(a)(i)-(viii) shall be disclosed only to employees that need the CSOI for the purposes covered by those exceptions and in as limited a manner as possible. The employees receiving such CSOI must be prohibited from acting as conduits to pass the CSOI to any Affiliate(s) and must have explicitly agreed to protect the confidentiality of such CSOI.
- (c) For disclosures pursuant to Section III.A.3.(a)(vii) and (viii), DEC, DEP, and Piedmont shall include in their annual affiliated transaction reports the following information:
- (i) The types of CSOI disclosed and the name(s) of the Affiliate(s) to which it is being, or has been, disclosed;
  - (ii) The reasons for the disclosure; and
  - (iii) Whether the disclosure is intended to be a one-time occurrence or an ongoing process.
- To the extent a disclosure subject to the reporting requirement is intended to be ongoing, only the initial disclosure and a description of any processes governing subsequent disclosures need to be reported.
- (d) DEC, DEP, Piedmont, and DEBS employees with access to CSOI must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the CSOI by employees that do not have access to such information, or by other employees of Duke Energy or other Affiliates or Nonpublic Utility Operations of DEC, DEP, and Piedmont.
- (e) Should the handling or disclosure of CSOI by DEBS, or another Affiliate or Nonpublic Utility Operation, or its respective employees, result in (i) a violation of DEC's or DEP's FERC Statement of Policy and Code of Conduct (FERC Code), 18 CFR 358 - Standards of Conduct for Transmission Providers (Transmission Standards), or any other relevant FERC standards or codes of conduct, (ii) the posting of such data on an Open Access Same-Time Information System (OASIS) or other Internet

website, or (iii) other public disclosure of the data, DEC or DEP shall promptly file a statement with the Commission in Docket No. E-7, Sub 1100C, and E-2, Sub 1095C, respectively, describing the circumstances leading to such violation, posting, or other public disclosure describing the circumstances leading to such violation, posting, or other public disclosure, any data required to be posted or otherwise publicly disclosed, and the steps taken to mitigate the effects of the current and prevent any future potential violation, posting, or other public disclosure.

- (f) Should any inappropriate disclosure of CSOI occur at any time, DEC, DEP, or Piedmont shall promptly file a statement with the Commission in Docket No. E-7, Sub 1100C, E-2, Sub 1095C, or G- 9, Sub 682C, respectively, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.
- (g) Unless publicly noticed and generally available, should the FERC Code, the Transmission Standards, or any other relevant FERC standards or codes of conduct be eliminated, amended, superseded, or otherwise replaced, DEC and DEP shall file a letter with the Commission in Docket Nos. E-7, Sub 1100E, and E-2, Sub 1095E, describing such action within 60 days of the action, along with a copy of any amended or replacement document.

## **B. Nondiscrimination**

1. DEC's, DEP's, and Piedmont's employees and representatives shall not unduly discriminate against non-Affiliated entities.

2. In responding to requests for Electric Services, Natural Gas Services, or both, DEC, DEP, and Piedmont shall not provide any preference to Duke Energy, another Affiliate, or a Nonpublic Utility Operation, or to any customers of such an entity, as compared to non-Affiliates or their customers. Moreover, neither DEC, DEP, Piedmont, Duke Energy, nor any other Affiliates shall represent to any person or entity that Duke Energy, another Affiliate, or a Nonpublic Utility Operation will receive any such preference.

3. DEC, DEP, and Piedmont shall apply the provisions of their respective tariffs equally to Duke Energy, the other Affiliates, the Nonpublic Utility Operations, and non-Affiliates.

4. DEC, DEP, and Piedmont shall process all similar requests for Electric Services, Natural Gas Services, or both, in the same timely manner, whether requested on behalf of Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated entity.

5. No personnel or representatives of DEC, DEP, Piedmont, Duke Energy, or another Affiliate shall indicate, represent, or otherwise give the appearance to another party that Duke Energy or another Affiliate speaks on behalf of DEC, DEP, or Piedmont; provided however, that this prohibition shall not apply to employees of DEBS providing Shared Services or to employees of another Affiliate to the extent explicitly provided for in an affiliate agreement that has been accepted by the Commission. In addition, no personnel or representatives of a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that they speak on behalf of DEC's, DEP's, or Piedmont's regulated public utility operations.

6. No personnel or representatives of DEC, DEP, Piedmont, Duke Energy, another Affiliate, or a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that any advantage to that party with regard to Electric Services or Natural Gas Services exists as the result of that party dealing with Duke Energy, another Affiliate, or a Nonpublic Utility Operation, as compared with a non-Affiliate.

7. DEC, DEP, and Piedmont shall not condition or otherwise tie the provision or terms of any Electric Services or Natural Gas Services to the purchasing of any goods or services from, or the engagement in business of any kind with, Duke Energy, another Affiliate, or a Nonpublic Utility Operation.

8. When any employee or representative of DEC, DEP, or Piedmont receives a request for information from or provides information to a Customer about goods or services available from Duke Energy, another Affiliate, or a Nonpublic Utility Operation, the employee or representative shall advise the Customer that such goods or services may also be available from non-Affiliated suppliers.

9. Disclosure of Customer Information to Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated entity shall be governed by Section III.A.2. of this Code of Conduct.

10. Unless otherwise directed by order of the Commission, electric generation shall not receive a priority of use from Piedmont that would supersede or diminish Piedmont's provision of service to its human needs firm residential and commercial customers.

11. Piedmont shall file an annual report with the Commission summarizing all requests or inquiries for Natural Gas Services made by a non-utility generator, Piedmont's response to the request, and the status of the inquiry.

## **C. Marketing**

1. The public utility operations of DEC, DEP, and Piedmont may engage in joint sales, joint sales calls, joint proposals, or joint advertising (a joint marketing arrangement) with their Affiliates and with their Nonpublic Utility Operations, subject to

compliance with other provisions of this Code of Conduct and any conditions or restrictions that the Commission may hereafter establish. DEC, DEP, and Piedmont shall not otherwise engage in such joint activities without making such opportunities available to comparable third parties.

2. Neither Duke Energy nor any of the other Affiliates shall use the names or logos of DEC, DEP, or Piedmont in any communications without the following disclaimer:

- (a) "[Duke Energy Corporation/Affiliate] is not the same company as [DEC/DEP/Piedmont], and [Duke Energy Corporation/Affiliate] has separate management and separate employees";
- (b) "[Duke Energy Corporation/Affiliate] is not regulated by the North Carolina Utilities Commission or in any way sanctioned by the Commission";
- (c) "Purchasers of products or services from [Duke Energy Corporation/Affiliate] will receive no preference or special treatment from [DEC/DEP/Piedmont]"; and
- (d) "A customer does not have to buy products or services from [Duke Energy Corporation/Affiliate] in order to continue to receive the same safe and reliable electric service from [DEC/DEP] or natural gas service from Piedmont."

3. Nonpublic Utility Operations may not use the names or logos of DEC, DEP, or Piedmont in communications without the following disclaimer:

"[Name of product or service being offered by Nonpublic Utility Operation] is not part of the regulated services offered by [DEC/DEP/Piedmont] and is not in any way sanctioned by the North Carolina Utilities Commission."

4. In addition, DEC's and DEP's Nonpublic Utility Operations may not use the names or logos of DEC or DEP in any communications without the following disclaimers:

- (a) "Purchasers of [name of product or service being offered by Nonpublic Utility Operation] from [Nonpublic Utility Operation] will receive no preference or special treatment from [DEC/DEP]"; and
- (b) "A customer does not have to buy this product or service from [Nonpublic Utility Operation] in order to continue to receive the same safe and reliable electric service from [DEC/DEP]."

The required disclaimers in this Section III.C.4. must be sized and displayed in a way that is commensurate with the name and logo so that the disclaimer is at least the

larger of one-half the size of the type that first displays the name and logo or the predominant type used in the communication.

**D. Transfers of Goods and Services, Transfer Pricing, and Cost Allocation**

1. Cross-subsidies involving DEC, DEP, or Piedmont and Duke Energy, other Affiliates, or the Nonpublic Utility Operations are prohibited.
2. All costs incurred by personnel or representatives of DEC, DEP, or Piedmont for or on behalf of Duke Energy, other Affiliates, or the Nonpublic Utility Operations shall be charged to the entity responsible for the costs.
3. The following conditions shall apply as a general guideline to the transfer prices charged for goods and services, including the use or transfer of personnel, exchanged between and among DEC, DEP, or Piedmont, and Duke Energy, the other Non-Utility Affiliates, and the Nonpublic Utility Operations, to the extent such prices affect DEC's, DEP's, or Piedmont's operations or costs of utility service:
  - (a) Except as otherwise provided for in this Section III.D., for untariffed goods and services provided by DEC, DEP, or Piedmont to Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation, the transfer price paid to DEC, DEP, or Piedmont shall be set at the higher of Market Value or DEC's, DEP's, or Piedmont's Fully Distributed Cost.
  - (b) Except as otherwise provided for in this Section III.D., for goods and services provided, directly or indirectly, by Duke Energy, a Non-Utility Affiliate other than DEBS, or a Nonpublic Utility Operation to DEC, DEP, or Piedmont, the transfer price(s) charged by Duke Energy, the Non-Utility Affiliate, and the Nonpublic Utility Operation to DEC, DEP, or Piedmont shall be set at the lower of Market Value or Duke Energy's, the Non-Utility Affiliate's, or the Nonpublic Utility Operation's Fully Distributed Cost(s). If DEC, DEP, or Piedmont do not engage in competitive solicitation and instead obtain the goods or services from Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation, DEC, DEP, and Piedmont shall implement adequate processes to comply with this Code provision and related Regulatory Conditions and ensure that in each case DEC's, DEP's, and Piedmont's Customers receive service at the lowest reasonable cost, unless otherwise directed by order of the Commission. For goods and services provided by DEBS to DEC, DEP, Piedmont, and Utility Affiliates, the transfer price charged shall be set at DEBS' Fully Distributed Cost.
  - (c) Tariffed goods and services provided by DEC, DEP, and Piedmont to Duke Energy, other Affiliates, or a Nonpublic Utility Operation shall be provided at the same prices and terms that are made available to

Customers having similar characteristics with regard to Electric Services or Natural Gas Services under the applicable tariff.

- (d) With the exception of gas supply transactions, transportation transactions, or both, between DEC and Piedmont or DEP and Piedmont, untariffed non-power, non-generation, or non-fuel goods and services provided by DEC, DEP, or Piedmont to DEC, DEP, Piedmont, or the Utility Affiliates or by the Utility Affiliates to DEC, DEP, or Piedmont, shall be transferred at the supplier's Fully Distributed Cost, unless otherwise directed by order of the Commission.
- (e) All Piedmont deliveries to DEC and DEP pursuant to intrastate negotiated sales or transportation arrangements and combinations of sales and transportation transactions shall be at the same price and terms that are made available to other Shippers having comparable characteristics, such as nature of service (firm or interruptible, sales or transportation), pressure requirements, nature of load (process/heating/electric generation), size of load, profile of load (daily, monthly, seasonal, annual), location on Piedmont's system, and costs to serve and rates. Piedmont shall maintain records in sufficient detail to demonstrate compliance with this requirement.
- (f) All gas supply transactions, interstate transportation and storage transactions, and combinations of these transactions, between DEC or DEP and Piedmont shall be at the fair market value for similar transactions between non-affiliated third parties. DEC, DEP, and Piedmont shall maintain records, such as published market price indices, in sufficient detail to demonstrate compliance with this requirement.
- (g) All of the margins, also referred to as net compensation, received by Piedmont on secondary market sales to DEC and DEP shall be recorded in Piedmont's Deferred Gas Cost Accounts and shall flow through those accounts for the benefit of ratepayers. None of the margins on secondary market sales by Piedmont to DEC and DEP shall be included in the secondary market transactions subject to the sharing mechanism on secondary market transactions approved by the Commission in its *Order Approving Stipulation*, dated December 22, 1995, in Docket No. G-100, Sub 67. The sharing percentage on secondary market sales shall not be considered in determining the prudence of such transactions.

4. To the extent that DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations receive Shared Services from DEBS (or its successor), these Shared Services may be jointly provided to DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations on a fully distributed cost basis, provided that the taking of such Shared Services by DEC, DEP, and Piedmont is cost beneficial on a service-by-service (e.g., accounting management, human resources management, legal services, tax administration, public affairs) basis to DEC, DEP, and Piedmont. Charges for such Shared Services shall be allocated in accordance with the cost allocation manual filed with the Commission pursuant to Regulatory Condition 5.5, subject to any revisions or other adjustments that may be found appropriate by the Commission on an ongoing basis.

5. DEC, DEP, Piedmont, and their Utility Affiliates may capture economies-of-scale in joint purchases of goods and services (excluding the purchase of electricity or ancillary services intended for resale unless such purchase is made pursuant to a Commission-approved contract or service agreement), if such joint purchases result in cost savings to DEC's, DEP's, and Piedmont's Customers. DEC, DEP, Piedmont, and their Utility Affiliates may capture economies-of-scale in joint purchases of coal and natural gas, if such joint purchases result in cost savings to DEC's, DEP's, and Piedmont's Customers. All joint purchases entered into pursuant to this section shall be priced in a manner that permits clear identification of each participant's portion of the purchases and shall be reported in DEC's, DEP's, and Piedmont's affiliated transaction reports filed with the Commission.

6. All permitted transactions between DEC, DEP, Piedmont, Duke Energy, other Affiliates, and the Nonpublic Utility Operations shall be recorded and accounted for in accordance with the cost allocation manual required to be filed with the Commission pursuant to Regulatory Condition 5.5 and with Affiliate agreements accepted by the Commission or otherwise processed in accordance with North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

7. Costs that DEC, DEP, and Piedmont incur in assembling, compiling, preparing, or furnishing requested Customer Information or CSOI for or to Duke Energy, other Affiliates, Nonpublic Utility Operations, or non-Affiliates (other than the Customer or the Customer's designated representative or agent) shall be recovered from the requesting party pursuant to Section III.D.3. of this Code of Conduct.

8. Any technology or trade secrets developed, obtained, or held by DEC, DEP, or Piedmont in the conduct of regulated operations shall not be transferred to Duke Energy, another Affiliate, or a Nonpublic Utility Operation without just compensation and the filing of 60-days prior notification to the Commission. DEC, DEP, and Piedmont are not required to provide advance notice for such transfers to each other and may request a waiver of this requirement from the Commission with respect to such transfers to Duke Energy, a Utility Affiliate, a Non-Utility Affiliate, or a Nonpublic Utility Operation. In no case, however, shall the notice period requested be less than 20 business days.

9. DEC, DEP, and Piedmont shall receive compensation from Duke Energy, other Affiliates, and the Nonpublic Utility Operations for intangible benefits, if appropriate.

#### **E. Regulatory Oversight**

1. The requirements regarding affiliate transactions set forth in G.S. 62-153 shall continue to apply to all transactions between DEC, DEP, Piedmont, Duke Energy, and the other Affiliates.

2. The books and records of DEC, DEP, Piedmont, Duke Energy, other Affiliates, and the Nonpublic Utility Operations shall be open for examination by the Commission, its staff, and the Public Staff as provided in G.S. 62-34, 62-37, and 62-51.

3. If Piedmont supplies any Natural Gas Services, with the exception of Natural Gas Services provided pursuant to Commission-approved contracts or service agreements, used by either DEC or DEP to generate electricity, DEC or DEP, as applicable, shall file a report with the Commission in its annual fuel and fuel-related cost recovery case demonstrating that the purchase was prudent and the price was reasonable.

4. To the extent North Carolina law, the orders and rules of the Commission, and the Regulatory Conditions permit Duke Energy, an Affiliate, or a Nonpublic Utility Operation to supply DEC, DEP, or Piedmont with Natural Gas Services or other Fuel and Purchased Power Supply Services used by DEC or DEP to provide Electric Services to Customers, and to the extent such Natural Gas Services or other Fuel and Purchased Power Supply Services are supplied, DEC or DEP, as applicable, shall demonstrate in its annual fuel adjustment clause proceeding that each such acquisition was prudent and the price was reasonable.

#### **F. Utility Billing Format**

To the extent any bill issued by DEC, DEP, Piedmont, Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party includes charges to Customers for Electric Services or Natural Gas Services and non-Electric Services, non-Natural Gas Services, or any combination of such services, from Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party, the charges for Electric Services and Natural Gas Services shall be separated from the charges for any other services included on the bill. Each such bill shall contain language stating that the Customer's Electric Services and Natural Gas Services will not be terminated for failure to pay for any other services billed.

#### **G. Complaint Procedure**

1. DEC, DEP, and Piedmont shall establish procedures to resolve potential complaints that arise due to the relationship of DEC, DEP, and Piedmont with Duke Energy, the other Affiliates, and the Nonpublic Utility Operations. The complaint procedures shall provide for the following:

(a) Verbal and written complaints shall be referred to a designated

representative of DEC, DEP, or Piedmont.

- (b) The designated representative shall provide written notification to the complainant within 15 days that the complaint has been received.
- (c) DEC, DEP, or Piedmont shall investigate the complaint and communicate the results or status of the investigation to the complainant within 60 days of receiving the complaint.
- (d) DEC, DEP, and Piedmont shall each maintain a log of complaints and related records and permit inspection of documents (other than those protected by the attorney/client privilege) by the Commission, its staff, or the Public Staff.

2. Notwithstanding the provisions of Section III.G.1., any complaints received through Duke Energy's EthicsLine (or successor), which is a confidential mechanism available to the employees of the Duke Energy holding company system, shall be handled in accordance with procedures established for the EthicsLine.

3. These complaint procedures do not affect a complainant's right to file a formal complaint with the Commission or otherwise communicate with the Commission or the Public Staff regarding a complaint.

#### **H. Natural Gas/Electricity Competition**

DEC, DEP, and Piedmont shall continue to compete against all energy providers, including each other, to serve those retail customer energy needs that can be legally and profitably served by both electricity and natural gas. The competition between DEC or DEP and Piedmont shall be at a level that is no less than that which existed prior to the Merger. Without limitation as to the full range of potential competitive activity, DEC, DEP, and Piedmont shall maintain the following minimum standards:

1. Piedmont will make all reasonable efforts to extend the availability of natural gas to as many new customers as possible.

2. In determining where and when to extend the availability of natural gas, Piedmont will at a minimum apply the same standards and criteria that it applied prior to the Merger.

3. In determining where and when to extend the availability of natural gas, Piedmont will make decisions in accordance with the best interests of Piedmont, rather than the best interest of DEC or DEP.

4. To the extent that either the natural gas industry or the electricity industry is further restructured, DEC, DEP, and Piedmont will undertake to maintain the full level of competition intended by this Code of Conduct subject to the right of DEC, DEP, Piedmont or the Public Staff to seek relief from or modifications to this requirement by the Commission.

## CODE OF CONDUCT ATTACHMENT A

### DEC/DEP/PIEDMONT CUSTOMER INFORMATION DISCLOSURE AUTHORIZATION

#### For Disclosure to Affiliates:

DEC's/DEP's/Piedmont's Affiliates offer products and services that are separate from the regulated services provided by DEC/DEP/Piedmont. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes DEC/DEP/Piedmont to provide any data associated with the Customer account(s) residing in any DEC/DEP/Piedmont files, systems or databases **[or specify types of data]** to the following Affiliate(s) \_\_\_\_\_. DEC/DEP/Piedmont will provide this data on a non-discriminatory basis to any other person or entity upon the Customer's authorization.

#### For Disclosure to Nonpublic Utility Operations:

DEC/DEP offers optional, market-based products and services that are separate from the regulated services provided by DEC/DEP. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes DEC/DEP to use any data associated with the Customer account(s) residing in any DEC/DEP files, systems or databases **[or specify types of data]** for the purpose of offering and providing energy-related products or services to the Customer. DEC/DEP will provide this data on a non-discriminatory basis to any other person or entity upon the Customer's authorization.

## **D. SERVICE AGREEMENT LISTS**

Service Agreement lists outlining services that DEC, DEP and Piedmont may receive from their Duke Energy affiliates include the following:

- Service Company Utility Service Agreement List
- Operating Companies Service Agreement List
- Operating Companies/Non-Utility Companies Service Agreement List

For a complete list of the services related to affiliate service agreements, please refer to NCUC Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A or G-9, Sub 682A. These affiliate service agreements may also be found on the State Regulatory Compliance Portal.

In addition, DEC, DEP, and Duke Energy Florida, LLC are parties to the Nuclear Services Agreement, with the Nuclear Services Agreement List, which includes the services that DEC and DEP may receive from each other and Duke Energy Florida, LLC.

## **E. GUIDELINES FOR TRANSACTIONS BETWEEN DEC/DEP/PIEDMONT AND AFFILIATES**

The *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates* (“*Guidelines*”) is an internal document developed to help employees implement the North Carolina Code of Conduct. The Guidelines may be revised from time to time as necessary to meet changing business requirements.

These Guidelines are intended to apply to all employees in dealings between DEC/DEP/Piedmont and their affiliates to assist in compliance with the North Carolina Code of Conduct, North Carolina and South Carolina state laws, and federal laws concerning affiliate transactions. Application of the affiliate rules to specific transactions may depend on the specific facts at issue. Any questions concerning the affiliate rules or these Guidelines should be directed to the subject matter experts listed later in this section.

### **A. DEFINITIONS**

Please reference Section C. *North Carolina Code of Conduct* in this CAM for definitions. Below are some additional definitions used throughout the CAM.

**FERC:** Federal Energy Regulatory Commission.

**NCUC:** North Carolina Utilities Commission.

**ORS:** Office of Regulatory Staff in South Carolina.

**PSCSC:** Public Service Commission of South Carolina.

**Public Items:** Items DEC/DEP/Piedmont, in their discretion, make available at no charge to any third party, including an Affiliate, upon request.

**Service Company:** Duke Energy Business Services LLC (“DEBS”), which is an affiliate that provides shared services to DEC/DEP/Piedmont and their affiliates.

**Technology And Trade Secrets:** For the purposes of these Guidelines, "Trade Secrets" is defined as information, including a formula, pattern, compilation, device, method, technique, or process, that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the

circumstances to maintain its secrecy. Technology is scientific, engineering or technical information which is patented or is a trade secret.

## B. INFORMATION SHARING RESTRICTIONS

### 1. Customer Information

- **Customer Information may be disclosed to an Affiliate, Nonpublic Utility Operations, or any third party only with the Customer's prior consent, as described in more detail below.**

- Consent to disclosure of Customer Information to Affiliates or Nonpublic Utility Operations may be by written authorization, electronic authorization or recorded verbal authorization upon providing the Customer with the information set out in Attachment A to the Code of Conduct.
- Departments providing Customer Information to Affiliates or Nonpublic Utility Operations must retain verification of the authorization for the longer of three years or as long as the authorization remains in effect.
- Written, electronic, or recorded verbal authorization or consent for the disclosure of Piedmont's Customer Information to Piedmont's Nonpublic Utility Operations is not required.

**Exception:** DEC/DEP/Piedmont may disclose Customer Information to Affiliates, Nonpublic Utility Operations or third parties as necessary for the Affiliate, Nonpublic Utility Operations or third party to provide goods or services to DEC, DEP or Piedmont.

- Affiliates and/or Nonpublic Utility Operations receiving Customer Information under this exception must agree to protect the confidentiality of the Customer Information they receive. Employee training or information technology non-disclosure statements may be used to meet this requirement.
- Agreements with third parties should provide for the protection of Customer Information.
- Customer Information may be used by DEBS employees to market or sell products or services to customers of DEC/DEP/Piedmont **only** in support of:
  - NCUC or PSCSC approved rate schedules or programs; or
  - Marketing efforts managed and supervised directly by DEC/DEP/Piedmont.
- DEBS employees with access to Customer Information may not act as an improper conduit of this information. For example, employees must not provide indirect access to the data, or recommend action based on the Customer Information, to any DEBS or other Affiliate or Nonpublic Utility Operations employees who have not been granted proper access to the information.
- ***Any improper disclosure of Customer Information requires promptly filing a statement with the NCUC describing the circumstances of the disclosure, the results of the disclosure, and the mitigating and/or other steps taken to address the disclosure, and the Legal Department must be informed of the disclosure to facilitate this notification.***

## 2. Confidential Systems Operation Information

- Confidential Systems Operation Information (“CSOI”) may not be disclosed to an Affiliate or Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates at the same time and in the same manner.
- **Exceptions:**
  - The CSOI is provided to employees of DEC/DEP/Piedmont for the purpose of implementing, and operating pursuant to, the Joint Dispatch Agreement in accordance with the Regulatory Conditions approved in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A.
  - The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.
  - The disclosure is required by law or by a state or federal regulatory agency or court.
  - The CSOI is provided to employees of DEBS pursuant to a service agreement filed with the Commission pursuant to G.S. 62-153.
  - CSOI may be provided to Utility Affiliates for the purpose of sharing best practices and improving the provision of regulated utility service.
  - The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of information to be disclosed.
  - Sharing of CSOI is permitted if it is otherwise essential to enable DEC/DEP/Piedmont to provide Utility Services to its Customers, or for compliance with the Sarbanes-Oxley Act of 2002.
  - However, certain reporting requirements are triggered by use of this exception. ***Consult with the Legal Department prior to sharing Operation Information under this exception.***
  - Employees receiving CSOI under these exceptions must agree to protect the confidentiality of information they receive and may not improperly share this information with other Affiliate or Nonpublic Utility Operation employees who are not permitted to have access to this information. Employee training or information technology non-disclosure statements may be used to communicate these requirements.
  - DEC/DEP/Piedmont and DEBS’s employees with access to CSOI may not act as an improper conduit of this information. For example, employees must not provide indirect access to the data, or recommend action based on the CSOI, to any DEBS or other Affiliate or Nonpublic Utility Operations employees who have not been granted proper access to the information.
- ***Any improper disclosure of CSOI requires promptly filing a statement with the NCUC in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A, respectively, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the mitigating and/or other steps taken to address the disclosure, and the Legal Department must be informed of the disclosure to facilitate this notification.***

### 3. Market and Transmission Information

- The FERC Affiliate Restrictions and the Standards of Conduct prohibit the disclosure of DEC/DEP/Piedmont's market information and non-public transmission information to a market-regulated power sales affiliate (otherwise known as a non-regulated affiliate). FERC defines market information as: "non-public information related to the electric energy and power business including, but not limited to, information regarding sales, cost of production, generator outages, generator heat rates, unconsummated transactions, or historical generator volumes. Market information includes information from either affiliates or non-affiliates." The FERC Standards of Conduct prohibit the disclosure of DEC/DEP/Piedmont's non-public transmission system information to marketing function employees. Information regarding the Standards of Conduct and inappropriate disclosures is explained in Duke Energy's FERC Standards of Conduct Compliance Procedures found at [www.ferc.duke-energy.com](http://www.ferc.duke-energy.com).
- Any handling or disclosure of DEC/DEP/Piedmont's market information or non-public transmission information by DEBS or its employees which results in (a) a violation of the FERC Affiliate Restrictions or Standards of Conduct, (b) the posting of such data on an OASIS or other Internet website, or (c) other public disclosure of the data, requires that DEC/DEP promptly file a statement with the NCUC. ***The Legal Department must be informed of any such occurrence to facilitate this notification.***

## C. AFFILIATE AGREEMENTS

### 1. Filing Requirements

- Before DEC/DEP/Piedmont may make payment to an Affiliate for services not already approved, it must obtain prior NCUC approval.
- DEC/DEP/Piedmont must file all other affiliate agreements with the NCUC for notice. This notice must be at least 60 days in advance of the transfer of DEC/DEP/Piedmont's technology or trade secrets, provided, however, that DEC, DEP, and Piedmont are not required to provide advance notice for such transfers to each other.
- Before filing an affiliate agreement with the NCUC, DEC/DEP/Piedmont must submit it, unsigned, to the Public Staff -at least 15 days in advance for informal review.
- DEC/DEP/Piedmont must make available to the ORS copies of affiliate agreements involving payment by DEC/DEP/Piedmont to an Affiliate.
- **Service Level Agreements ("SLA")** may be considered affiliate agreements that trigger these filing and approval requirements. ***Contact the Legal Department before entering into an SLA between DEC/DEP/Piedmont and any Affiliate.***
- DEC/DEP/Piedmont must obtain PSCSC approval prior to the transfer of any utility asset valued at greater than \$1 million to any party; and must provide 30 days advance notice to the NCUC prior to the transfer of any utility asset with a gross book value in excess of \$10 million to any party.
- Under both North and South Carolina law, DEC/DEP/Piedmont bear the burden of showing that affiliate transactions are reasonable and prudent.

## ➤ Existing Agreements

- Copies of filed affiliate agreements are available for review on the State Regulatory Compliance Portal.
- On August 26, 2016, DEC, DEP, and Piedmont jointly filed in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A the following affiliate agreements to which they were parties:
  - Service Company Utility Service Agreement
  - Operating Companies Service Agreement
  - Operating Companies/Non-Utility Companies Service Agreement
  - Tax Sharing Agreement
  - Intercompany Asset Transfer Agreement
  - Utility Money Pool Agreement
- DEC and DEP (as well as Duke Energy Florida, LLC) are also parties to the Nuclear Services Agreement, which they jointly filed at the NCUC on December 1, 2011, in Docket Nos. E-2, Sub 998A and E-7, Sub 986A.
- Brief descriptions of these agreements follow:
  - Service Company Utility Service Agreement – It is expected that Franchised Electric & Gas employees whose job responsibilities involve providing certain services to different operating companies will be employed by DEBS and will provide services to DEC/DEP/Piedmont as well as the other Utility Affiliates<sup>1</sup> under this agreement.
  - Operating Companies Service Agreement – Under this agreement, DEC/DEP/Piedmont and their Utility Affiliates may provide certain services to each other. With the exception of DEC/DEP/Piedmont providing services for each other, the Utility Affiliates will request services from each other using Service Request for Affiliates form.
  - Operating Companies/Non-Utility Companies Agreement – Under this agreement, DEC/DEP/Piedmont and their non-utility Affiliates may provide certain services to each other under a Service Request for Affiliates form.
  - Nuclear Services Agreement – Under this agreement, DEC, DEP, and Duke Energy Florida, LLC may provide certain services to each other to support management and operation of the nuclear plants.
  - Tax Sharing Agreement – The Tax Sharing Agreement, which is an agreement for the filing of consolidated income tax returns and for allocation of consolidated income tax liabilities and benefits.
  - Intercompany Asset Transfer Agreement – The Intercompany Asset Transfer Agreement, which is an agreement that allows DEC, DEP, Piedmont and their regulated utility affiliates to transfer assets to one another.
  - Utility Money Pool Agreement – The Utility Money Pool Agreement, which is an agreement that allows the parties to borrow funds on a short-term basis and to

<sup>1</sup> “Utility Affiliates” means the regulated public utility operations of Duke Energy Indiana, LLC, Duke Energy Kentucky, Inc., Duke Energy Florida, LLC, and Duke Energy Ohio, Inc.

create a cash management program.

- Pursuant to North Carolina Regulatory Condition No. 5.4, DEC/DEP/Piedmont filed lists with the NCUC of the services they intend to obtain from their affiliates under the affiliate Service Agreements. Before receiving any services that are not on the appropriate list, DEC/DEP/Piedmont must give the NCUC **15 days advance notice**.
- With the exception of the Nuclear Services Agreement, which was last filed with the NCUC on June 30, 2014, these agreements supersede in their entirety DEC's affiliate service agreements previously filed in Docket Nos. E-7, Sub 795A and E-7, Sub 810; and DEC's and DEP's affiliate service agreements previously filed in Docket Nos. E-7, Sub 986A and E-2, Sub 998A.
- *Contact the Legal Department before obtaining or providing goods or services from or to an Affiliate that are not covered by Affiliate Agreements.*

## D. COST ALLOCATION & TRANSFER PRICING RULES

### 1. Cost Allocations

- **Corporate Governance and Shared Services**
  - DEC/DEP/Piedmont and their Affiliates may use joint corporate oversight, governance, corporate support and utility support systems and personnel. These services are provided by DEBS under the Service Company Utility Service Agreement (see Affiliate Agreements above).
  - Costs must be allocated or charged back on a fully distributed cost basis and are subject to review by state regulators. Charging methods are described in the applicable Service Agreement.
  - DEC/DEP/Piedmont must perform periodic evaluations that show shared services are cost-beneficial to it on a service by service basis.
- **Joint Purchases**
  - **Generally:** DEC/DEP/Piedmont and their Utility Affiliates may capture economies of scale in joint purchases of goods and services (*excluding*: electricity or ancillary services intended for resale unless such purchase is made pursuant to a Commission-approved contract or service agreement – see special provision below) or the joint development of an asset if (a) the purchase results in cost savings to DEC/DEP/Piedmont's Customers, and (b) the costs are allocated appropriately and an audit trail maintained.
  - **Coal and Natural Gas:** DEC/DEP/Piedmont and their Utility Affiliates may capture economies-of-scale in joint purchases of coal and natural gas for consumption, if these purchases result in cost savings to DEC/DEP/Piedmont's Customers. All joint

purchases entered into pursuant to this section shall be priced in a manner that permits clear identification of each participant's portion of the purchases and shall be reported in DEC's, DEP's and Piedmont's affiliated transaction reports filed with the Commission.

- *The Legal Department must be informed of any such transfer to facilitate this notification.*

## 2. Transfer Pricing Rules

- **Types of Transactions**
  - **Affiliate or Nonpublic Utility Operation Providing Goods or Services to DEC/DEP/Piedmont**
    - Refer to "Filing Requirements" above.
    - DEC/DEP/Piedmont must perform a "make or buy" analysis.
    - For goods and services provided to DEC/DEP/Piedmont by Duke Energy Corporation, a Non-Utility Affiliate, or a Nonpublic Utility Operation, the transfer prices should be the lower of the supplier's fully distributed cost or market value.
    - For goods and services provided to DEC/DEP/Piedmont by each other or another Utility Affiliate, the transfer price should be the supplier's fully distributed cost.
    - Transfer pricing rules apply to Affiliates acting as subcontractors to other Affiliates providing goods or services to DEC/DEP/Piedmont.

### *Exceptions:*

- Corporate governance, corporate services and utility support services (discussed above) may be provided at fully distributed cost.
- **DEC/DEP/Piedmont Providing Utility Services to Affiliates/ Nonpublic Utility Operations**
  - Refer to "Filing Requirements" above.
  - Tariffed services provided by DEC/DEP/Piedmont to Duke Energy, other Affiliates, or a Nonpublic Utility Operation shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Utility Services.
  - Untariffed services provided by DEC/DEP/Piedmont to Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation should be transferred at the higher of market value or DEC's, DEP's, or Piedmont's fully distributed cost.
  - Untariffed services provided by DEC/DEP/Piedmont to each other or another Utility Affiliate should be transferred priced at the supplier's fully distributed cost.
  - **Loaned Employees**
    - DEC/DEP/Piedmont may assign an employee to an Affiliate or Nonpublic Utility Operations if the assignment does not interfere with or impair DEC/DEP/Piedmont's utility responsibilities or business operations.
    - Responsibility for all liabilities to third parties and any legal or other related expenses that arise in connection with the work of the employee lies with the Affiliate.

- **DEC/DEP/Piedmont Providing Goods/Assets to Affiliates/Nonpublic Utility Operations and the transfer or Use of Utility Assets/Goods not subject to Intercompany Asset Transfer Agreement**
  - Tariffed goods provided by DEC/DEP/Piedmont to Duke Energy, other Affiliates, or a Nonpublic Utility Operation shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Electric Services or Natural Gas Services.
  - All Piedmont deliveries to DEC and DEP pursuant to intrastate negotiated sales or transportation arrangements and combinations of sales and transportation transactions shall be at the same price and terms that are made available to other Shippers having comparable characteristics, such as nature of service (firm or interruptible, sales or transportation), pressure requirements, nature of load (process/heating/electric generation), size of load, profile of load (daily, monthly, seasonal, annual), location on Piedmont's system, and costs to serve and rates. Piedmont shall maintain records in sufficient detail to demonstrate compliance with this requirement.
  - All gas supply transactions, interstate transportation and storage transactions, and combinations of these transactions, between DEC or DEP and Piedmont shall be at the fair market value for similar transactions between non-affiliated third parties. DEC/DEP/Piedmont shall maintain records, such as published market price indices, in sufficient detail to demonstrate compliance with this requirement.
  - All of the margins, also referred to as net compensation, received by Piedmont on secondary market sales to DEC and DEP shall be recorded in Piedmont's Deferred Gas Cost Accounts and shall flow through those accounts for the benefit of ratepayers. None of the margins on secondary market sales by Piedmont to DEC and DEP shall be included in the secondary market transactions subject to the sharing mechanism on secondary market transactions approved by the Commission in its *Order Approving Stipulation*, dated December 22, 1995, in Docket No. G-100, Sub 67. The sharing percentage on secondary market sales shall not be considered in determining the prudence of such transactions.
  - Untariffed goods provided by DEC/DEP/Piedmont to Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation should be transferred at the higher of market value or DEC/DEP/Piedmont's fully distributed cost.
  - Determining the appropriate price requires consideration of fully distributed cost, market price evaluation and an appropriate allocation methodology (see below).
  - Affiliates/Nonpublic Utility Operations may use DEC/DEP/Piedmont's goods or assets without charge in connection with the performance of work for DEC/DEP/Piedmont if they would permit a third-party supplier to have the same access to such goods or assets without Operations without charge.
  - DEC/DEP/Piedmont may share Public Items with its Affiliates/Nonpublic Utility Operations without charge.
  - No materiality threshold on transfers to/from non-Utility or non-Regulated Utility affiliates.

- *In each instance, the Legal Department must be contacted prior to any such transfer to facilitate an asset transfer agreement.*
- **Transfer of Technology or Trade Secrets**
  - *Transfer, including sublicense, of technology or trade secrets by DEC/DEP/Piedmont to an Affiliate requires 60 days prior notice to the NCUC.* Software developed by or on behalf of DEC/DEP/Piedmont typically constitutes technology or trade secrets, which may also include proprietary manuals, technical processes, etc. The following procedure should be followed in the event of a request to transfer and provide use of technology or trade secrets to an Affiliate:
    - Notice: The Code of Conduct requires 60-days' notice to the NCUC in advance of the transfer of technology or trade secrets, unless the transfer is between DEC/DEP/Piedmont. If circumstances warrant, DEC/DEP/Piedmont may request a waiver of the advance notice requirement, but the notice period CANNOT be less than 20 business days. The department (or its department financial contact) transferring or allowing use of the DEC/DEP/Piedmont technology or trade secret to an Affiliate must notify the Legal or Carolinas Rates & Regulatory Strategy Departments before the beginning of the advance notice period. Details of the transaction, including description and appropriate compensation support, sufficient to make the filing with the NCUC must be provided in time to meet the notice requirement. If the transferring department requires assistance with determining the pricing methods or other transfer requirements, additional time to consult with the Legal or Carolinas Rates & Regulatory Strategy Departments should be allowed in advance of the notice period.
    - Transfer pricing: Generally, DEC/DEP/Piedmont are compensated for such technology and trade secret transfers at the higher of market or fully-distributed cost, subject to the conditions and/or exceptions discussed in this section. Market and cost comparison procedures to be followed (as well as applicable exceptions) are further discussed in the "Pricing Rules Compliance Documentation – Transfer or Sharing of Goods/Products" section below. The transferring department, along with the department financial contact if necessary, must ensure that the appropriate accounting entries are recorded to compensate DEC/DEP/Piedmont according to the transfer pricing requirements.  
Supporting documentation describing the technology or trade secret transferred, as well as the pricing support documentation must be maintained by the transferring department.
- **Sharing Customer Information or CSOI**
  - Sharing DEC/DEP/Piedmont's Customer Information or CSOI is strictly limited, as described in Sections B.1 & B.2 above. In the event Customer Information or CSOI is provided to an affiliate (or third party other than the Customer or the Customer's designated representative or agent), the North Carolina Code of Conduct requires that all costs incurred in assembling, compiling, preparing, or furnishing the information be recovered from the requesting party.

- “All costs” means fully-distributed cost and includes any overhead or allocable cost associated with the labor cost incurred to provide the information as well as any incremental systems, materials/supplies, or other costs identified with the transaction.

Although the Customer Information or CSOI is specific to DEC/DEP/Piedmont, the employees providing the Customer Information or CSOI, or providing a service using DEC/DEP/Piedmont Customer Information or CSOI, may be utility or Service Company employees. Charging fully distributed cost must have the effect of removing the applicable labor and other dollars from either DEC/DEP/Piedmont direct charges, or from a pool of Service Company dollars, which are otherwise direct charged, distributed, or allocated to DEC/DEP/Piedmont. The following process should be followed to bill or charge costs associated with providing Customer Information or CSOI:

- The department or group providing the Customer Information or CSOI must develop a method to price the transaction or activity (if the activity is recurring) appropriately. For example, a per-transaction price may be developed by observing the average time involved in completing a service using Customer Information, applying a proportionate labor rate plus associated overheads, then multiplying by a number of transactions (tracked or estimated) for the accounting period, to compute a charge to the Affiliate or third party. Less complex methods may be appropriate to charge for one-time or infrequent transactions.
  - The department or group providing the Customer Information or CSOI will provide sufficient detail to its department financial contact to enable the contact to make the appropriate journal entry to record the charge (or to bill the third party if applicable). The department financial contact must ensure that the appropriate accounting entries are recorded.
  - Supporting documentation describing the transaction, as well as the pricing determination support, must be maintained by the department providing the Customer Information or CSOI or the applicable department.
- **Wholesale Power Sales or Purchases**
    - Require FERC approval.
    - May require Advance Notice to NCUC and approval by State Commissions, depending on the circumstances.
  - **Pricing Rules Compliance and Documentation**
    - **Performance of Services**
      - Every DEC/DEP/Piedmont department that performs services for Affiliates should conduct, or cause to be prepared, a periodic market analysis to compare the department’s current fully distributed cost to the equivalent market prices. Similarly, when it obtains services from an Affiliate (other than Corporate Governance and Shared Services or under the Utility-to-Utility exception),

each DEC/DEP/Piedmont department should perform, or ensure that the Affiliate performs a market comparison for such services and documents its rationale for selecting the Affiliate.

- **Transfer or Sharing of Goods/Products**

- DEC/DEP/Piedmont should conduct periodic market to current cost comparisons for utility assets such as facilities, vehicles, equipment and information technology property, which are shared with or used by Affiliates. The market versus cost evaluation is applicable to any such assets provided on an ongoing basis or as the result of an individual transaction. Similarly, when DEC/DEP/Piedmont uses assets owned by an Affiliate, they should perform or ensure that the Affiliate performs a market comparison for such assets.

For the transfer or sharing of items developed, created or constructed by DEC/DEP/Piedmont or an Affiliate (regardless of whether the item is a capital asset), DEC/DEP/Piedmont departments should perform a market comparison to determine the appropriate price, taking into consideration the following as applicable:

- The fully distributed cost to DEC/DEP/Piedmont or the affiliate to develop the item; the appropriate allocation of such costs for items that will be shared, such as software; the market price to purchase the item “off the shelf”, if available; and the market price to hire a professional to develop the item.

***Exceptions:***

- ***No Comparable Market Exception.*** If no comparable market exists, the goods or services should be priced at fully distributed costs. A DEC/DEP/Piedmont department relying on this exception should document how it determined that no comparable market exists.
- ***Joint Purchase/Development Exception.*** The Code permits the use of shared corporate governance and shared support and permits joint purchases among DEC/DEP/Piedmont and their affiliates. Therefore, Duke Energy may establish a project to jointly develop an item to be used by multiple business units, including DEC/DEP/Piedmont, provided that the costs are allocated appropriately and accounting records are maintained to reflect the cost sharing. Similarly, DEC/DEP/Piedmont and their affiliates may jointly procure goods or services from third-party suppliers.
- ***Use of Assets in the Performance of Services.*** Affiliates may use DEC/DEP/Piedmont goods or assets without charge in connection with the performance of work for DEC/DEP/Piedmont if DEC/DEP/Piedmont would permit a third-party supplier to have the same access to such goods or assets without charge.

## E. REGULATORY OVERSIGHT

- DEC/DEP/Piedmont are required to file a detailed Carolinas CAM and Annual Affiliate Transactions Report with the NCUC. The CAM and Report are subject to regular audit by the Public Staff.
- DEC/DEP/Piedmont are also required to maintain information on affiliate transactions for review by the PSCSC and ORS upon request.
- Corporate Audit Services performs an annual audit of Affiliate transactions.
- Independent audit of transactions under the Service Agreements occurs no less than every 2 years.

## F. COMPLAINT PROCEDURE

The Code of Conduct requires DEC/DEP/Piedmont to follow established procedures to resolve any complaints that may arise due to the relationship of DEC/DEP/Piedmont with Duke Energy Corporation, its other Affiliates, or its Nonpublic Utility Operations. Complaints could originate from any source, including customers, potential suppliers, alliance partners, competitors, etc., or could be referred to DEC/DEP/Piedmont by the NCUC, PSCSC, Public Staff, or ORS. The following steps comprise the procedure to follow in the event of a complaint:

- Any verbal or written complaints will be referred to the Duke Energy Regulatory Affairs contact below (written complaints forwarded by the NCUC, PSCSC, Public Staff or ORS are automatically received by the Regulatory Affairs team).
- The Regulatory Affairs team will provide written notice to the complainant within 15 days indicating that the complaint was received.
- The Regulatory Affairs team will conduct or coordinate the investigation of the complaint, provide the results of such investigation to the Legal Department for review and input, and report back the status or results of the review to the complainant within 60 days of receiving the complaint.
- A log of complaints received and the related documents will be maintained by the Regulatory Affairs team for audit purposes.

***Note: Any complaints received via the Ethics Line will be handled separately according to the procedures established for Ethics Line.***

## SUBJECT MATTER EXPERTS & RESOURCES

Name	Area	Phone
Kendrick Fentress	Legal – NC State Rules	919.546.6733
Katie Brown	Legal – SC State Rules	864.370.5296
Ann Warren	Legal – FERC Rules	704.382.2108
Alan Hutcherson	Corporate Compliance – State Rules	704.382.5667
Chris Whicker	Corporate Compliance – FERC Rules	704.382.2869
Virginia Boucher	DEC and DEP Rates & Regulatory	309.364.2680
Pia Powers	Piedmont Rates & Regulatory	704.731.4259

*Note: Department financial contacts referred to in the guidelines above are in the Financial Planning and Analysis organization.*

## **F. SHARED SERVICES COST DISTRIBUTION PROCESS**

Services designated as “shared support,” for purposes of the North Carolina Regulatory Conditions and Code of Conduct, are Services that are corporate or general utility in nature and are used by multiple business units. These services are provided pursuant to a Utility Service Agreement filed with the NCUC.

The list of services conforms to the service category descriptions included in Attachment 2 of the Service Company Utility Service Agreement, and represents the shared services offered that DEC, DEP, and Piedmont intend to obtain under this agreement. DEC, DEP, and Piedmont are required by the North Carolinas Utilities Commission to update the list of services as necessary. Interim changes to this list require filing with the Commission, with 15 days advance notice of the proposed changes.

The shared services cost distribution process is the method by which costs of the Services Company are fully distributed.

### **The objectives of the cost distribution process are to:**

- Meet regulatory requirements.
- Ensure that each affiliate shares in and is appropriately charged for the relevant shared services costs.
- Assist affiliates in understanding the cost drivers and basis for allocation of shared services costs that affect their operating results.
- Provide an accounting model whereby affiliates can see how much is allocated to them for each shared service.

Costs for shared services are distributed to affiliates within Duke Energy through (i) direct charges, (ii) distribution or (iii) allocation. Costs are direct charged to the extent possible. Costs that cannot be direct charged can be distributed to the applicable business units using specific percentages if known. Costs that cannot be direct charged or distributed are allocated to the business units receiving the benefit using reasonable allocation methods as described in the “Shared Services Cost Distribution Details” section of this manual. Services are charged to

Affiliates on a fully distributed cost basis and include labor and non-labor costs. As part of a fully distributed cost, an overhead component is charged to Affiliates as a percentage of Service Company labor costs, whether direct charged, distributed or allocated. This overhead represents the cost of shared services provided by shared services employees.

The Corporate Accounting group is responsible for developing the following allocation factors, which serve as the basis for the allocation of costs that have not been direct charged or distributed. Final allocation factors distributing costs to each affiliate sum to 100% for each cost pool, thus clearing out 100% of costs to be allocated each month. Interim adjustments to allocation factors are made only for material transactions, such as an acquisition or divestiture of an affiliate, and for major company reorganizations.

Corporate Accounting reviews Service Company allocation factors annually. Typically, during the budget process, rates are recalculated and implemented for actuals at the beginning of the following year. These rates are reflected in the Service Company allocation rate schedule included in the Cost Allocation Manual.

The Service Company also charges for certain services under the Service Company Utility Service Agreement. Types of pass-through costs typically handled by the Service Company may include:

1. Finance & Accounting Services
2. Insurance Premium Expense
3. Advertising Expense
4. Community Relations Projects
5. Donations
6. Employee Benefits Expense
7. Dues / Subscriptions
8. Merger Execution Costs
9. Research & Development
10. Miscellaneous Lease / Rent Expense

## **G. GUIDELINES AND PROCEDURE FOR CHARGING DEC/DEP/PIEDMONT FOR COSTS ORIGINATING WITH THE SERVICE COMPANY**

On a regular basis, Service Company employees provide support to DEC/DEP/Piedmont. All Service Company resources used to support DEC/DEP/Piedmont must properly charge the respective utility through (i) direct charges, (ii) distribution or (iii) allocation. Charging fully distributed cost to DEC/DEP/Piedmont is normally accomplished with the application of a percentage loaded on direct labor. Service Company management is accountable for employees appropriately charging their costs. An Affiliate Rules and Transactions Computer Based Training (“CBT”) (emphasis on DEC/DEP/Piedmont) is available in the Training Connection on the Portal.

The following procedure addresses employees’ and management’s responsibilities.

### **A. General Guidelines**

1. Consistent with Regulatory Condition No. 5.5, hours worked by Service Company employees in direct support of DEC/DEP/Piedmont are charged directly to the respective utility to the maximum extent practicable.
2. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Service Company to DEC/DEP/Piedmont (timesheets, employee expenses, etc.).
3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to DEC/DEP/Piedmont.
4. Service Company to DEC/DEP/Piedmont transactions are covered under the Service Company Utility Agreement.

### **B. Time Reporting**

When a Service Company employee provides direct support to DEC/DEP/Piedmont: Consistent with Regulatory Condition No. 5.5, hours worked by Service Company employees in direct support of DEC/DEP/Piedmont are charged directly to the respective utility to the maximum extent practicable.

1. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for paid supplemental compensation.
2. The financial system will automatically load time reported to DEC/DEP/Piedmont with labor loads of fringe benefits, payroll taxes, incentive pay and unproductive time, as applicable.

### **C. Labor Allocations**

Service Company employees provide services to DEC/DEP/Piedmont at fully distributed cost. Allocation of costs described in items 1 through 5 below are applied as a cost factor to labor charged to DEC/DEP/Piedmont. Below are the various cost components of labor loads. The rates for these items may be adjusted during the year to properly accrue the associated actual or anticipated cost.

#### **1. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement, and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among Affiliates.

#### **2. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among Affiliates.

#### **3. Incentive Allocation**

Incentives are accrued via a loading factor applied to labor charges.

#### **4. Unproductive Cost Allocation**

An unproductive cost allocation is applied to productive labor charges by the Service Company employee. Service Company allocates unproductive costs pro rata to productive labor, either via a monthly ratio or standard rates.

#### **5. Service Company Overhead**

A Service Company overhead rate is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

## **H. SHARED SERVICES COST DISTRIBUTION DETAILS**

*See the following charts for descriptions of services provided and associated allocation methods and factors*

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Factor	St. Cr.	Total DEC	Total DEP	Total DEF	DEI Total	DEK Total	DEO Total	Total Comm Trans/Elec	Total Electric Utilities
Information Systems	Development and support of mainframe computer software applications.	Number of Central Processing Unit Seconds/Millions of Instructions per Second	ENMF	Information Systems	Mainframe Svcs Ent	ENTCPUMFR	S05	73.46	-	-	9.95	1.71	8.54	-	93.66
			PRMF	Information Systems	Mainframe Svcs Ent PE	PRECPUMFR	---	-	57.54	42.46	-	-	-	-	100.00
			DEMF	Information Systems	Mainframe Svcs Ent DUK	DETCPUHFR	D05	88.83	16.36	12.07	6.64	1.14	5.68	-	90.69
			PUMF	Information Systems	Mainframe Svcs Utility PE	PRUCPUHFR	P11	-	57.54	42.46	-	-	-	-	100.00
	Procurement and support of personal computers and related network and software applications.	No. of Personal Computer Workstations Ratio	ENWS	Information Systems	Worksta Svcs Enterprise	ENTWKSWS	S06	80.71	-	-	9.43	0.62	8.09	-	93.85
			PRWS	Information Systems	Worksta Svcs Enterprise PE	PRWKSWS	P06	-	62.25	36.46	-	-	-	-	98.71
			DWSE	Information Systems	Worksta Svcs Enterprise DUK	DETWKSWKS	D06	40.74	27.34	16.00	4.75	0.29	1.55	-	90.67
			PUWS	Information Systems	Worksta Svcs Utility PE	PRUWKSWS	P12	-	62.25	36.46	-	-	-	-	98.71
	Development and support of distributed computer software applications (e.g., servers).	Number of Info Systems Servers Ratio	ENSS	Information Systems	Server Svcs Enterprise	ENTSYSSVR	S07	52.07	-	-	28.88	3.28	10.92	-	87.15
			PRSS	Information Systems	Server Svcs Enterprise PE	PRSSYSSVR	P07	-	48.02	50.58	-	-	-	-	98.60
			DESS	Information Systems	Server Svcs Enterprise DUK	DETSYSSVR	D07	26.95	18.34	19.32	10.82	1.70	5.65	-	82.78
			UTSS	Information Systems	Server Svcs Utility	UTTSYSSVR	S13	27.55	18.72	19.71	11.94	1.72	5.78	-	84.52
			PUSS	Information Systems	Server Svcs Utility PE	PRUSYSSVR	P13	-	48.02	50.58	-	-	-	-	98.60
	Installation and operation of communications systems.	Number of Employees Ratio	ENTS	Information Systems	Telecom Svcs Enterprise	ENTEMTEL	S33	74.20	-	-	10.77	1.05	8.87	-	92.89
			PRTS	Information Systems	Telecom Svcs Enterprise PE	PREEMTEL	P33	-	62.27	36.88	-	-	-	-	98.71
			OETS	Information Systems	Telecom Svcs Enterprise DUK	DETEMTEL	D33	12.85	25.43	14.88	7.03	0.52	1.96	-	87.67
			OUTS	Information Systems	Telecom Svcs Utility	OUTEMTEL	D34	38.57	25.90	15.17	7.16	0.53	2.00	-	89.33
			UTTS	Information Systems	Telecom Svcs Utility	UTEMTEL	S34	76.98	-	-	14.32	1.10	4.02	-	96.42
			PTSU	Information Systems	Telecom Svcs Utility PE	PREEMTEL	P34	-	62.27	36.88	-	-	-	-	98.71
			ENHD	Information Systems	Helpdesk Services	ENTEMHLP	S33	74.20	-	-	10.77	1.05	8.87	-	92.89
			DEHD	Information Systems	Helpdesk Services DUK	DETEMHLP	D33	37.85	25.43	14.88	7.03	0.52	1.96	-	87.67
			PRHD	Information Systems	Helpdesk Services PE	PREEMHLP	P33	-	62.27	36.88	-	-	-	-	98.71
	Information systems management and support services.	No. of Personal Computer Workstations Ratio	ENMA	Information Systems	ITS Mgt.& Apps Svcs Ent	ENTITMITM	S35	40.74	27.34	16.00	4.75	0.29	1.55	-	90.67
			DEMA	Information Systems	ITS Mgt.& Apps Svcs Ent DUK	DEITMITM	D35	40.74	27.34	16.00	4.75	0.29	1.55	-	90.67
			PRMA	Information Systems	ITS Mgt.& Apps Svcs Ent PE	PREITMITM	P35	40.74	27.34	16.00	4.75	0.29	1.55	-	90.67
			UTMA	Information Systems	ITS Mgt. & Apps Utility	UTITMITM	S36	83.55	-	-	9.25	0.63	8.21	-	97.14
			DEUM	Information Systems	Duke Energy Lighthouse	OUTUMSETM	D11	40.42	27.81	16.28	8.84	0.31	1.59	-	92.25
			DUHA	Information Systems	ITS Mgt.& Apps Svcs Utility DUK	OUTITMITM	D36	40.74	27.34	16.00	4.75	0.29	1.55	-	90.67
Meters	Procures, tests and maintains meters.	Number of Customers Ratio	DEMS	Meters	Meter Svcs Utility OE	OUTGLSMTR	D14	28.06	16.84	19.99	8.84	1.52	7.60	-	82.85
			UWMS	Meters	Meter Svcs Util MW Only Elec/Gas	UTWCUSMTR	S60	-	-	-	37.48	6.44	32.20	-	76.12
			UBMS	Meters	Meter Svcs Util MW Elec	UTBUCSMTR	S58	-	-	-	49.23	8.47	42.30	-	100.00

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description	Number of Employees Ratio	Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total DEC	TOTAL E/G	TOTAL DEK	TOTAL E/G	TOTAL DEK	Total Electric Utilities		
Transportation	Procures and maintains vehicles and equipment.	Number of Employees Ratio	DUVE	Transportation	Transp Vehicles Utility DE	UTVMVEH	D10	38.98	26.12	15.46	7.53	0.80	90.71		
			UMME	Transportation	Transp Vehicles Util MW only	UTVMVEH	S65	-	-	-	66.05	7.23	18.26	-	91.54
	Procures and maintains aircraft and equipment.	Three Factor Formula	OGAV	Transportation	Transp Aviation General	DOGV3FAVI	DG1	83.90	22.69	17.12	10.13	1.15	3.59	0.01	88.59
			BEAV	Transportation	Transp Aviation Svcs Ext DE	DOENT3FAVI	D03	83.90	22.69	17.12	10.13	1.15	3.59	0.01	88.60
Electric System Maintenance - Coordinates maintenance and support of electric transmission and distribution systems.	Services related to transmission system:	Circuit Miles of Electric Transm Lines Ratio	UTTR	Electric System Maintenance	ESS Elec Trans Utility	UTJOMIEPR	S15	40.74	20.01	15.64	17.04	0.34	5.23	-	100.00
			UMTR	Electric System Maintenance	ESS Elec Trans Utility H MW	UTJOMIEMW	S96	-	-	-	75.34	1.51	23.15	-	100.00
	Services related to distribution system:	Circuit Miles of Electric Dist. Lines Ratio	UTDI	Electric System Maintenance	ESS Elec Dist Utility	UTJOMIEDT	S16	39.23	25.58	16.61	11.08	1.09	6.21	-	100.00
			UMDI	Electric System Maintenance	ESS Elec Dist Utility MW only	UTJOMIEDT	S57	-	-	-	60.70	5.87	33.43	-	100.00
Marketing and Customer Relations Grid Solutions	Advises the Client Companies in relations with domestic utility customers. Design and administration of market solutions standard and/or operational programs.	Number of Customers Ratio	RUSD	Marketing and Customer Relations	M&CR SALES & Demand Util PE	UTSALMCR	P17	-	45.72	54.28	-	-	-	-	100.00
			NET	Marketing and Customer Relations	Customer Strategy P&S	UTISALNET	S75	60.98	-	-	18.21	3.30	16.51	-	100.00
			STD	Marketing and Customer Relations	Standard Services	UTISALSTD	S17	54.33	-	-	17.12	2.94	14.70	-	89.09
			MSST	Marketing and Customer Relations	Mkt Sol - Svcs Duke Standard	UTMSALSTD	D98	60.98	-	-	19.21	3.30	16.51	-	100.00
			UMSD	Marketing and Customer Relations	M&CR Standard Prod Util MW only	UTMSALNET	S68	-	-	-	37.48	6.44	32.30	-	76.12
			UMNT	Marketing and Customer Relations	M&CR Net Product Util MW (HH)	UTMSALSST	S68	-	-	-	37.48	6.44	32.30	-	76.12
			UESD	Marketing and Customer Relations	M&CR Standard Util MWElec (HH)	UTMSALMCR	S66	-	-	-	49.23	8.47	42.38	-	100.00
			UGSD	Marketing and Customer Relations	M&CR Sales/Demand Util MW Gas only	UTGSALMCR	S67	-	-	-	-	-	-	-	-
			OTNT	Marketing and Customer Relations	M&CR Elec Only Util DE	OUTTCUSMCR	D75	33.87	20.32	24.13	10.67	1.84	9.17	-	100.00
			UTNT	Marketing and Customer Relations	M&CR Sales/Demand Util MW Gas only	UTISALNET	S75	60.98	-	-	18.21	3.30	16.51	-	100.00
	Advises the Client Companies in relations with domestic utility customers. Customer meter reading, billing and payment processing. Market Solutions non P&L processes.	Number of Customers Ratio	UTHR	Marketing and Customer Relations	M&CR Mtr Rdg&Pmt Rec Util	UTTCUSPMT	S37	54.33	-	-	17.12	2.94	14.70	-	89.09
			OUNR	Marketing and Customer Relations	M&CR Customers Util ND	OUTTCUSPMT	D37	31.72	19.03	22.59	9.99	1.72	8.98	-	93.63
			OUMS	Marketing and Customer Relations	Mkt Sol Svcs Utilities Std	OUTTCUSPAY	D95	33.87	20.32	24.13	10.67	1.84	9.17	-	100.00
			UMHR	Marketing and Customer Relations	M&CR Mtr Rdg&Pmt Rec Util MW only	UTTCUSPMT	S60	-	-	-	37.48	6.44	32.30	-	76.12
			UOMR	Marketing and Customer Relations	M&CR Mtr Rdg&Pmt Rec DEO DEK (HH)	UTTCUSPMT	S59	-	-	-	-	10.31	51.49	-	61.80
			OCTH	Marketing and Customer Relations	M&CR Customers Util ND	DGVOUSCTA	D65	31.72	19.03	22.59	9.99	1.72	8.98	-	93.63
	Advises the Client Companies in relations with domestic utility customers. Customer services including the operation of call center.	Number of Customers Ratio	UENR	Marketing and Customer Relations	M&CR Mtr Rdg&Pmt Rec Util MW Elec	UTTCUSPMT	S58	-	-	-	49.23	8.47	42.38	-	100.00
			UMRD	Marketing and Customer Relations	M&CR Util MW PD	UTTCUSMPD	S69	-	-	-	37.48	6.44	32.30	-	76.12
			DGSS	Marketing and Customer Relations	M&CR Cust Info Sys Util	OUTTCUSSYS	T05	31.72	19.03	22.59	9.99	1.72	8.98	-	93.63
			UWPD	Marketing and Customer Relations	M&CR PD DEO/DEK E/G	UTTCUSWPD	S70	-	-	-	-	10.31	51.49	-	61.80
	Advises the Client Companies in relations with domestic utility customers. Costs associated with Smart Grid activities	Number of Customers Ratio	USGA	Marketing and Customer Relations	M&CR Smart Grid All E/G	UTTCUSSG	S76	54.33	-	-	17.12	2.94	14.70	-	89.09
			USGE	Marketing and Customer Relations	M&CR Smart Grid Electric Only	UTTCUSSG	S77	60.98	-	-	18.21	3.30	16.51	-	100.00
			DSGA	Marketing and Customer Relations	M&CR Smart Grid DUKE E/G	OUTTCUSSG	D89	31.72	19.03	22.59	9.99	1.72	8.98	-	93.63
			DSGE	Marketing and Customer Relations	M&CR Smart Grid DUKE Elec Only	OUTTCUSSG	D93	33.87	20.32	24.13	10.67	1.84	9.17	-	100.00

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS							St Cd							Total Comm Trans-Elec	Total Electric Utilities
Function	Function Description	Number of Customers Ratio	Operating Unit (OU)	Function	OU Description	Allocation Pool		Total DEC	Total DEP	Total DEF	DEI Total	DEK Total	DEO Total		
Marketing and Customer Relations Grid Solutions	Advises the Client Companies in relations with domestic utility customers. Costs associated with Smart Grid activities		UTSG	Marketing and Customer Relations	Non-Smart Grid SES O&M	UTICUSSES	584	54.33	-	-	17.12	2.94	14.70	-	89.09
			PSGA	Marketing and Customer Relations	M&CR Smart Grid PEC E/G	PUTICUSSG	P91	-	45.72	54.28	-	-	-	-	100.00
			USGA	Marketing and Customer Relations	M&CR Smart Grid Util Capital	UTICUSSG	580	54.33	-	-	17.12	2.94	14.70	-	89.09
			USGE	Marketing and Customer Relations	M&CR Smart Grid Electric Only Capital	UTICUSSG	581	60.98	-	-	19.21	3.30	16.51	-	100.00
			DSGA	Marketing and Customer Relations	M&CR Smart Grid DUKE E/G - Capital	DUTICUSSG	D90	31.72	19.03	22.59	9.99	1.72	8.58	-	93.63
			D5GE	Marketing and Customer Relations	M&CR Smart Grid DUKE Elec Only - Capital	DUTICUSSG	D94	33.87	20.32	24.13	10.67	1.84	9.17	-	100.00
			UTSG	Marketing and Customer Relations	Non-Smart Grid SES Cap	UTICUSSES	585	54.33	-	-	17.12	2.94	14.70	-	89.09
			PSGA	Marketing and Customer Relations	M&CR Smart Grid PEC E/G - Capital	PUTICUSSG	P92	-	45.72	54.28	-	-	-	-	100.00
			GIPA	Marketing and Customer Relations	M&CR Grid Strat&Plan DUKE E/G	DUTICUSGS	T01	31.72	19.03	22.59	9.99	1.72	8.58	-	93.63
			GIPA	Marketing and Customer Relations	M&CR Grid Strat&Plan DUKE E/G-Capital	DUTICUSGS	T02	31.72	19.03	22.59	9.99	1.72	8.58	-	93.63
			GPE	Marketing and Customer Relations	M&CR Grid Strat&Plan-Electric	DUTICUSGS	T03	33.87	20.32	24.13	10.67	1.84	9.17	-	100.00
			GPE	Marketing and Customer Relations	M&CR Grid Strat&Plan-Electric - O&M	DUTICUSGS	T04	33.87	20.32	24.13	10.67	1.84	9.17	-	100.00
Electric Transmission & Distribution Engineering & Construction - Designs and monitors construction of electric transmission and distribution lines and substations. Prepares cost and schedule estimates, visits construction sites to ensure that construction activities coincide with plans, and administers construction contracts.	Transmission engineering and construction:	(Electric Transmission Plant's) Construction - Expenditures Ratio	UTET	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Utility	UTICONETR	518	22.04	18.38	36.66	15.30	0.48	7.14	-	100.00
			UEET	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Utility	UTICONETR	562	-	-	-	66.75	2.09	31.16	-	100.00
	Distribution engineering and construction:	(Electric Distribution Plant's) Construction - Expenditures Ratio	UTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	UTICONEOT	530	34.52	25.05	22.66	8.40	1.63	7.74	-	100.00
			UEED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility MW only	UTMOONEDT	531	-	-	-	47.21	9.20	43.59	-	100.00
Power Engineering & Construction	Designs, monitors and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing electric generating units. Prepares cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	(Electric Production Plant's) Construction - Expenditures Ratio	UTEC	Power Engineering & Construction	Eng & Constr Pwr Prod Util	UTICOMPWR	525	47.95	25.60	20.39	5.07	0.99	-	-	100.00
			UEBC	Power Engineering & Construction	Eng & Constr Pwr Prod Util MW only	UTICOMPWR	563	-	-	-	83.74	16.26	-	-	100.00
			UGEG	Power Engineering & Construction	Eng & Constr Gas Util MW only	UTMCONGAS	564	-	-	-	-	-	-	-	-
Human Resources	Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.	Number of Employees Ratio	OGHR	Human Resources	HR Svcs Grnlce	OGOVENHRS	DG2	38.25	25.64	15.17	7.19	0.79	1.99	-	89.03
			OHRE	Human Resources	HR Services Enterprise OE	OENTEMPRES	D04	38.25	25.64	15.17	7.19	0.79	1.99	-	89.03
			UTHR	Human Resources	HR Services Utility	UTTEMPHRS	538	38.98	26.12	15.46	7.33	8.80	2.02	-	90.71

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS																
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total DEC	Total DEP	Total DEF	DEI Total	DEK Total	DEO Total	Total Comm Trans-Bec	Total Electric Utilities	Total PNG
Supply Chain - Provides services in connection with the procurement of materials and contract services and vendor payment processing:	Procurement of materials and contract services and vendor payment processing:	Procurement Spending Ratio	DUSC	Materials Management	Matls Mgmt Sply Chn Util DE	DUTIPROSPC	D19	-	-	-	-	-	-	-	-	-
			DESC	Materials Management	Matls Mgmt Sply Chain Ent DE	DENTPROSPC	D08	33.21	20.50	18.48	9.57	1.54	3.93	0.03	87.26	9.87
			UPPD	Materials Management	MW ELEC/GAS DELIVRY STOREROOM	UTBRCPSMM	S72	-	-	-	-	7.07	77.24	-	84.31	-
	Management of materials and supplies inventory:	Inventory Ratio	UTIN	Materials Management	Matls Mgmt Inventory Util	UTINWSPC	S20	18.09	23.66	28.74	15.45	0.15	13.91	-	100.00	-
Facilities	Operates and maintains office and service buildings. Provides security and housekeeping services for such buildings and procures office furniture and equipment.	Square Footage Ratio	GORE	Facilities	RE Facility Svcs CLT GO	CLTSQFFAC	S27	51.43	34.49	0.82	0.38	-	0.02	-	87.14	12.19
			CNRE	Facilities	RE Fac Svcs - Grinnell	CINSQFFAC	S50	21.52	14.43	-	7.48	-	13.35	-	56.78	18.55
			PLRE	Facilities	RE Fac Svcs - Plainfield	PLDSQFFAC	S51	16.52	11.08	0.76	69.02	-	-	-	97.38	-
			MWRE	Facilities	RE Facility Services MW Utility	UTMSQFFAC	S71	-	-	-	62.54	3.10	20.09	-	85.73	-
		DERE	Facilities	RE Facility Services Ent DE	DENTJFFAC	D39	41.53	27.84	16.91	38.4	-	0.58	-	90.62	7.90	
Accounting	Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and Superfund compliance with the laws and regulations.	Three-Factor Formula	DGAC	Accounting	Accounting Gencc	DGOVJFACT	DG1	33.90	22.89	17.12	10.13	1.15	3.99	0.01	88.59	5.99
			DGVP	Accounting	VSP - Governance DE	DGBVJFVSP	DG3	36.08	24.12	18.20	10.78	1.22	3.81	0.01	94.22	-
			PGVP	Accounting	VSP - Governance	PRGVJFVSP	PG3	-	56.91	43.09	-	-	-	-	100.00	-
			DEAC	Accounting	Accounting Svcs Ent DE	DENTJFACT	D03	33.91	22.89	17.12	10.13	1.15	3.99	0.01	88.60	5.99
			UTAC	Accounting	Acctg Svcs Utility	UTBFFACT	S09	35.09	23.46	17.72	10.51	1.19	3.72	0.01	91.70	6.21
			UMAC	Accounting	Acctg Svcs Util/MW RES/Gorly	UTMFACT	S53	-	-	-	60.82	6.80	20.95	-	88.57	-
			DOEP	Accounting	DEBS Depreciation DE	DENTJFDEP	D49	33.91	22.89	17.12	10.13	1.15	3.99	0.01	88.60	5.99
			PROP	Accounting	Svc Co Depreciation PE	PRVJFDEP	P49	-	56.91	43.09	-	-	-	-	100.00	-
			DGDC	Accounting	Governance CTA Depreciation DE	DGOVJFDEP	DG4	36.08	24.12	18.20	10.78	1.22	3.81	0.01	94.22	-
			DCTG	Accounting	CTA Governance DE	DGOVJFACT	DG3	36.08	24.12	18.20	10.78	1.22	3.81	0.01	94.22	-
			PNYG	Accounting	Piedmont CTA Gov	GOVJFACTAP	DG7	33.90	22.89	17.12	10.13	1.15	3.99	0.01	88.59	5.99
			PNGG	Accounting	Piedmont CTA Gov - Gas Utility	GOVJFACTMPG	DG6	-	-	-	-	-	-	-	-	75.25
			RUDC	Accounting	Governance CTA Depreciation PE	PRVJFDEP	PG4	-	56.91	43.09	-	-	-	-	100.00	-
			GSAC	Accounting	Accounting Svcs Utility	UTBFFACT	D03	-	-	-	-	-	-	-	-	75.25
		Generating Unit (MW) Capacity Ratio (MCR)	DPNL	Accounting	Duke Progress CTA Nuclear	DGOVJFDPN	DG3	67.00	100.00	-	-	-	-	-	100.00	-
	Ratio of Return - Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Three-Factor Formula	DURR	Facilities Rate of Return Allocation	Facilities ROR Gencc DE	DGOVJFRROR	DG1	33.90	22.89	17.12	10.13	1.15	3.99	0.01	88.59	5.99
								-	-	-	-	-	-	-	-	-
								-	-	-	-	-	-	-	-	-
								-	-	-	-	-	-	-	-	-

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS														
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total DEC	Total DEP	Total DEF	DEL Total	DBK Total	DEO Total	Total Comm Trans-Elec
Power Planning and Operations - Coordinates the planning, management and operation of Duke Energy Corporation's electric power systems including additions and retirements to Duke Energy Corporation's electric generation, transmission and distribution systems.	Generation planning:	Elec Peak Load Ratio						-	-	-	-	-	-	-
			DUGE	Power Planning and Ops	Pwr Plng&Ops Gen Deptch Util	UTISALGDP	D21	38.23	28.43	19.23	12.38	1.73	-	-
	Transmission planning:	Elec Peak Load Ratio						-	-	-	-	-	-	-
			DUTP	Power Planning and Ops	Pwr Plng&Ops Sys Reg WND	DUTPMLETR	D32	38.16	22.76	18.85	12.06	1.32	6.85	-
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio						-	-	-	-	-	-	-
			DUDP	Power Planning and Ops	Pwr Plng&Ops Dist Reg WND	DUTDMEDL	D41	38.68	24.16	17.74	11.67	1.21	6.54	-
								-	-	-	-	-	-	-
Power Planning and Operations - System Operations - coordination of the energy dispatch and operation of Duke Energy Corporation's electric generating units and transmission and distribution systems.	Generation Dispatch:	Sales Ratio	UTGD	Power Planning and Ops	Pwr Plng&Ops Gen Deptch Util	UTISALGDP	S42	28.24	23.50	29.95	15.82	2.49	-	-
								-	-	-	-	-	-	-
	Transmission Operations:	Weighted Average of the Circ Miles of Elec Transm Lines Ratio and the Elec Peak Load Ratio	UTTO	Power Planning and Ops	Pwr Plng&Ops Trans Ops Util	UTDMEDTR	S31	39.93	21.39	17.25	14.55	0.83	6.05	-
								-	-	-	-	-	-	-
								-	-	-	-	-	-	-
	Distribution Operations:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	UTDO	Power Planning and Ops	Pwr Plng & Ops Dist Ops Util	UTDMEDL	S22	38.68	24.16	17.74	11.67	1.21	6.54	-
								-	-	-	-	-	-	-
								-	-	-	-	-	-	-
	Power Operations - provides management and support services for Duke Energy Corporation's electric generation system.	Generating Unit MW Capability /MDC Ratio	REPO	Power Planning and Ops	Pwr Plng&Ops Pwr Ops Reg	REGARPOP		30.23	23.39	26.69	16.86	2.83	-	-
			RLO	Power Planning and Ops	Reg Bal/WT Units (DEBS)	RLOARPOP		38.80	17.80	13.74	26.33	3.33	-	-
			RCTO	Power Planning and Ops	Reg Bal/WT Units (DEBS)	RCTARPOP	S08	23.53	27.74	36.79	9.50	2.44	-	-
			RMWO	Power Planning and Ops	Reg Bal/WT - Midwest (DEBS)	RMWOARPOP	S99	-	-	-	85.65	14.35	-	-
							-	-	-	-	-	-	-	
								-	-	-	-	-	-	-
Public Affairs	Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography and video services.	Three Factor Formula	DGPA	Public Affairs	Pub Affrs Grnnc	DGPA3FFPAF	DG1	33.90	22.69	17.12	10.13	1.15	3.59	0.01
			DGPP	Public Affairs	Public Policy Grnnc	DGPP3FFPAF	DG1	33.90	22.69	17.12	10.13	1.15	3.59	0.01
			DEPA	Public Affairs	Public Affairs Services Ent DE	DENT3FFPAF	D03	33.91	22.69	17.12	10.13	1.15	3.59	0.01
	Utility Specific Activities	Weighted Average of # of Customers Ratio and # of Employees Ratio	UTPA	Public Affairs	Public Affairs Services Utilit	UTICLSPAF	S24	33.51	21.47	17.73	8.09	1.16	4.81	-
								-	-	-	-	-	-	-
Legal	Renders services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.	Three Factor Formula	DLEE	Legal	Legal Governance	DGOV3FFLEG	CG1	62.78	-	-	18.63	2.11	6.58	0.02
			ENLE	Legal	Legal Governance	GOV3FFLEG	DG1	33.90	22.69	17.12	10.13	1.15	3.59	0.01
			RGLG	Legal	Legal Governance	REG3FFLEG	RGL	-	56.91	43.09	-	-	-	-
			UTLE	Legal	Legal Services Utility	UTJ3FFLEG	S09	35.09	23.48	17.72	10.51	1.19	3.72	0.01
							-	-	-	-	-	-	-	
Rates	Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.	Sales Ratio	UTRA	Rates	Rates Utility	UTMSALRAT	S44	28.56	20.46	13.71	9.85	1.33	6.57	-
			UCRA	Rates	Rates Sys Util DEB DBK only	UTOSALRAT	S55	-	-	-	-	9.63	52.21	-
			UMRA	Rates	Rates DEB&DEK Reg	UTMSALRAT	S86	-	-	-	-	7.66	37.95	-

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2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description	Three Factor Formula	Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total DEC	Total DEP	Total DEF	DEI Total	DEK Total	DEO Total	Total Comm Trans-Elec	Total Electric Utilities
Executive	Provides general administrative and executive management services.		DSEP	Executive	ESP Other Governance	DGOV3FTESP	DG7	33.90	22.69	17.12	10.13	1.15	3.59	0.01	88.59
			PSTK	Executive	Stock Comp Legacy PGN	PRGV2FTSTK	PG1	-	56.91	43.09	-	-	-	-	100.00
Interest	Allocates Interest		DEAL	Interest	Acctg Interest Svc Enterprise DE	DENTINTACT	D52	30.91	17.63	12.93	17.05	2.90	8.45	0.03	89.90

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total PNG	Total DEK-Gas	Total DEO-Gas	Total Comm Trans + Gas	Gas Utilities Total	Comm Pwr Total	Other Total	Total
Information Systems	Development and support of mainframe computer software applications.	Number of Central Processing Unit Seconds Ratio/Millions of Instructions per Second	ENMF	Information Systems	Mainframe Svcs Ent	ENTCPUMFR	S05	-	1.19	5.15	-	6.34	-	-	100.00
			PRMF	Information Systems	Mainframe Svcs Ent PE	PRECRUMFR	---	-	-	-	-	-	-	-	100.00
			DEMF	Information Systems	Mainframe Svcs Ent DUK	DENTCPUMFR	D05	5.10	0.79	0.42	-	9.31	-	-	100.00
			PUMF	Information Systems	Mainframe Svcs Utility PE	PRUCPUMFR	P11	-	-	-	-	-	-	-	100.00
	Procurement and support of personal computers and related network and software applications.	No. of Personal Computer Workstations Ratio	ENWS	Information Systems	Worksta Svcs Enterprise	ENTWKSWS	S06	-	0.42	1.11	-	1.53	0.41	1.21	100.00
			PRWS	Information Systems	Worksta Svcs Enterprise PE	PREWKSWS	P06	-	-	-	-	-	-	1.29	100.00
			DWSE	Information Systems	Worksta Svcs Enterprise DUK	DENTWKSWS	D06	5.65	0.21	0.56	-	6.42	1.72	1.19	100.00
			PUWS	Information Systems	Worksta Svcs Utility PE	PRUWKSWS	P12	-	-	-	-	-	-	1.29	100.00
	Development and support of distributed computer software applications (e.g., servers).	Number of Info Systems Servers Ratio	ENSS	Information Systems	Server Svcs Enterprise	ENTSYSSVR	S07	-	1.85	6.47	-	8.12	2.92	1.81	100.00
			PRSS	Information Systems	Server Svcs Enterprise PE	PRESYSSVR	P07	-	-	-	-	-	-	1.40	100.00
			DESS	Information Systems	Server Svcs Enterprise DUK	DENTSYSSVR	D07	10.03	0.86	0.05	-	14.24	1.51	1.47	100.00
			UTSS	Information Systems	Server Svcs Utility	UTISYSSVR	S13	10.24	0.87	0.01	-	14.52	-	0.96	100.00
			PUSS	Information Systems	Server Svcs Utility PE	PRUSYSSVR	P13	-	-	-	-	-	-	1.40	100.00
	Installation and operation of communications systems.	Number of Employees Ratio	ENT5	Information Systems	Telecom Svcs Enterprise	ENTEMPTL	S33	-	0.75	1.40	-	2.15	3.66	1.30	100.00
			PRTS	Information Systems	Telecom Svcs Enterprise PE	PREEMPTL	P33	-	-	-	-	-	-	1.29	100.00
			OETS	Information Systems	Telecom Svcs Enterprise DUK	DENTMPTL	D33	8.19	0.38	0.71	-	9.28	1.86	1.19	100.00
			OUT5	Information Systems	Telecom Svcs Utility	OUTEMPTL	D34	8.35	0.39	0.73	-	9.47	-	1.00	100.00
			UTTS	Information Systems	Telecom Svcs Utility	UTEMPTL	S34	-	0.78	1.45	-	2.23	-	1.35	100.00
			PTSU	Information Systems	Telecom Svcs Utility PE	PRUEMPTL	P34	-	-	-	-	-	-	1.29	100.00
			BNHD	Information Systems	Helpdesk Services	ENTEMHLP	S33	-	0.75	1.40	-	2.15	3.66	1.30	100.00
			DEHD	Information Systems	Helpdesk Services DUK	DETEMHLP	D33	8.19	0.38	0.71	-	9.28	1.86	1.19	100.00
			PRHD	Information Systems	Helpdesk Services PE	PREEMHLP	P33	-	-	-	-	-	-	1.29	100.00
	Information systems management and support services.	No. of Personal Computer Workstations Ratio	BNMA	Information Systems	ITS Mgt & Apps Svcs Ent	ENTBFFITM	S35	5.65	0.21	0.56	-	6.42	1.72	1.19	100.00
			DEMA	Information Systems	ITS Mgt & Apps Svcs Ent DE	DENTBFFITM	D35	5.65	0.21	0.56	-	6.42	1.72	1.19	100.00
			PRMA	Information Systems	ITS Mgt & Apps Svcs Ent PE	PREBFFITM	P35	5.65	0.21	0.56	-	6.42	1.72	1.19	100.00
			UTMA	Information Systems	ITS Mgt & Apps Utility	UTBFFITM	S36	-	0.44	1.15	-	1.99	-	1.27	100.00
			DELH	Information Systems	Duke Energy Lighthouse	DUWKSITH	D11	5.75	0.22	0.57	-	6.54	-	1.21	100.00
			DUMA	Information Systems	ITS Mgt & Apps Svcs Util DE	DEUTBFFITM	D36	5.65	0.21	0.56	-	6.42	1.72	1.19	100.00
Meters	Procures, tests and maintains meters.	Number of Customers Ratio	DEMS	Meters	Meter Svcs Utility DE	OUTICUSMTR	D14	11.52	1.05	4.98	-	17.15	-	-	100.00
			UNMS	Meters	Meter Svcs Util-MWOnly Elec/Gas	UTMCUSMTR	S60	-	4.47	19.41	-	20.88	-	-	100.00
			UEMS	Meters	Meter Svcs Util-MW Elec	UTECUSMTR	S58	-	-	-	-	-	-	-	100.00

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS																
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total PNG	Total DEK- Gas	Total DEO- Gas	Total Comm Trans - Gas	Gas Utilities Total	Comm Pwr Total	Other Total	Total	
Transportation	Procures and maintains vehicles and equipment.	Number of Employees Ratio	DUVE	Transportation	Transp Vehicles Utility DE	DUITEMPVEH	D18	8.35	0.15	0.79	-	9.29	-	-	100.00	
			UMVE	Transportation	Transp Vehicles Util MW only	UTMEMPVEH	S65	-	1.01	7.15	-	8.46	-	-	100.00	
	Procures and maintains aircraft and equipment.	Three Factor Formula	DGAV	Transportation	Transp Aviation Gmce	OGOV3FRAVI	D61	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00	
			DEAV	Transportation	Transp Aviation Svcs Ent DE	DBMT3FRAVI	D03	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00	
Electric System Maintenance - Coordinates maintenance and support of electric transmission and distribution systems.	Services related to transmission system:	Circuit Miles of Electric Trans Lines Ratio	UTTR	Electric System Maintenance	ESS Elec Tran Utility	UTICMIETR	S15	-	-	-	-	-	-	-	100.00	
			UMTR	Electric System Maintenance	ESS Elec Tran Utility - MW	UTICMIEMW	S96	-	-	-	-	-	-	-	-	100.00
	Services related to distribution system:	Circuit Miles of Electric Dist. Lines Ratio	UTDR	Electric System Maintenance	ESS Elec Dist Utility	UTICMIEDT	S16	-	-	-	-	-	-	-	100.00	
			UMDR	Electric System Maintenance	ESS Elec Dist Utility MW only	UTICMIEDT	S57	-	-	-	-	-	-	-	-	100.00
Marketing and Customer Relations Grid Solutions	Advises the Client Companies in relations with domestic utility customers. Design and administration of market solutions standard and/or operational programs.	Number of Customers Ratio	PUSD	Marketing and Customer Relations	M&CR SALES & Demand Util RE	PRUTSALMCR	P17	-	-	-	-	-	-	-	100.00	
			NET	Marketing and Customer Relations	Customer Strategy P&S	UTISALNET	S75	-	-	-	-	-	-	-	-	100.00
			STD	Marketing and Customer Relations	Standard Services	UTISALSTD	S17	-	2.04	8.87	-	10.91	-	-	-	100.00
			HSST	Marketing and Customer Relations	Mkt Sol - ServCo Duke Standard	UTMSOLSTD	D98	-	-	-	-	-	-	-	-	100.00
			UMSD	Marketing and Customer Relations	M&CR Standard Prod Util MWonly	UTMSALUMET	S68	-	4.47	19.41	-	23.88	-	-	-	100.00
			UMNT	Marketing and Customer Relations	M&CR Net Product&C Util MW only	UTMSALUMSTD	S68	-	4.47	19.41	-	23.88	-	-	-	100.00
			UESO	Marketing and Customer Relations	M&CR Sales&Dmnd Util MWElec only	UTMSALMCR	S66	-	-	-	-	-	-	-	-	100.00
			UGSD	Marketing and Customer Relations	M&CR Sales&Demand Util MWGas:only	UTMSALMCR	S67	-	18.72	81.28	-	100.00	-	-	-	100.00
			OTMT	Marketing and Customer Relations	M&CR Elec Only Util DE	OUTICUSHMCR	D75	-	-	-	-	-	-	-	-	100.00
	UTNT	Marketing and Customer Relations	M&CR Sales&Demand Util MWGas:only	UTISANET	S75	-	-	-	-	-	-	-	-	100.00		
	Advises the Client Companies in relations with domestic utility customers. Customer meter reading, billing and payment processing. Market Solutions non P&L processes.	Number of Customers Ratio	UTMR	Marketing and Customer Relations	M&CR Mtr Rdg&Pmt Proc Util	UTICUSPMT	S37	-	2.04	8.87	-	10.91	-	-	-	100.00
			OUNR	Marketing and Customer Relations	M&CR Customers Util NO	OUTICUSPMT	D37	-	1.19	5.18	-	6.37	-	-	-	100.00
			DUMS	Marketing and Customer Relations	Mkt Sol Servo Utilities Std	OUTICUSPAY	D95	-	-	-	-	-	-	-	-	100.00
			UUNR	Marketing and Customer Relations	M&CR Mtr Rdg&PmtProc Util MWonly	UTMOCUSPMT	S60	-	4.47	19.41	-	23.88	-	-	-	100.00
			UONR	Marketing and Customer Relations	M&CR Mtr Rdg&PmtProc DEO DEK (WH)	UTOCUSPMT	S59	-	7.15	31.05	-	38.20	-	-	-	100.00
			DCTH	Marketing and Customer Relations	M&CR Customers Util NO	OGOVUSCTA	D65	-	1.19	5.18	-	6.37	-	-	-	100.00
	Advises the Client Companies in relations with domestic utility customers. Customer services including the operation of call center.	Number of Customers Ratio	LEHR	Marketing and Customer Relations	M&CR Mtr Rdg&PmtProc Util MWElec	UTEGUSPMT	S58	-	-	-	-	-	-	-	-	100.00
			UNPD	Marketing and Customer Relations	M&CR Util MW&RD	UTMCIUNPD	S69	-	4.47	19.41	-	23.88	-	-	-	100.00
			DGIS	Marketing and Customer Relations	M&CR Cust Info Sys Util	OUTICUSISYS	T05	-	1.19	5.18	-	6.37	-	-	-	100.00
			UNWPD	Marketing and Customer Relations	M&CR PD DEO/DEK E/G	UTMCIUNWPD	S70	-	7.15	31.05	-	38.20	-	-	-	100.00
	Advises the Client Companies in relations with domestic utility customers. Costs associated with Smart Grid activities	Number of Customers Ratio	USGA	Marketing and Customer Relations	M&CR Smart Grid All E/G	UTICUSSG	S76	-	2.04	8.87	-	10.91	-	-	-	100.00
			USGE	Marketing and Customer Relations	M&CR Smart Grid Electric Only	UTICUSSG	S77	-	-	-	-	-	-	-	-	100.00
			OSGA	Marketing and Customer Relations	M&CR Smart Grid DUKE E/G	OUTICUSSG	D89	-	1.19	5.18	-	6.37	-	-	-	100.00
			OSGE	Marketing and Customer Relations	M&CR Smart Grid DUKE Elec Only	OUTICUSSG	D93	-	-	-	-	-	-	-	-	100.00

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS																
Function	Function Description	Number of Customers Ratio	Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total PNG	Total DEK- Gas	Total DEO- Gas	Total Comm Trans - Gas	Gas Utilities Total	Comm Pwr Total	Other Total	Total	
Marketing and Customer Relations Grid Solutions	Advices the Client Companies in relations with domestic utility customers. Costs associated with Smart Grid activities		UTSG	Marketing and Customer Relations	Non-Smart Grid SES O&M	UTICUSSES	S84	-	2.04	8.87	-	10.91	-	-	100.00	
			PSGA	Marketing and Customer Relations	M&CR Smart Grid PEC E/G	PUTICUSSG	P91	-	-	-	-	-	-	-	100.00	
			USGA	Marketing and Customer Relations	M&CR Smart Grid Util Capital	UTICUSSG	S80	-	2.04	8.87	-	10.91	-	-	100.00	
			USGE	Marketing and Customer Relations	M&CR Smart Grid Electric Only Capital	UTEUCUSSG	S81	-	-	-	-	-	-	-	100.00	
			DSGA	Marketing and Customer Relations	M&CR Smart Grid DUKE E/G - Capital	DUTICUSSG	D90	-	1.19	5.18	-	6.37	-	-	100.00	
			DSGE	Marketing and Customer Relations	M&CR Smart Grid DUKE Bec Only - Capital	DUTEUCUSSG	D94	-	-	-	-	-	-	-	100.00	
			UTSG	Marketing and Customer Relations	Non-Smart Grid SES Cap	UTICUSSES	S85	-	2.04	8.87	-	10.91	-	-	100.00	
			PSGA	Marketing and Customer Relations	M&CR Smart Grid PEC E/G - Capital	PUTICUSSG	P92	-	-	-	-	-	-	-	100.00	
			GIPA	Marketing and Customer Relations	M&CR Grid Strat&Plan DUKE E/G	DUTICUSGS	T01	-	1.19	5.18	-	6.37	-	-	100.00	
			GIPA	Marketing and Customer Relations	M&CR Grid Strat&Plan DUKE E/G - Capital	DUTICUSGS	T02	-	1.19	5.18	-	6.37	-	-	100.00	
			GIPE	Marketing and Customer Relations	M&CR Grid Strat&Plan-Electric	DUTEUCUSGS	T03	-	-	-	-	-	-	-	100.00	
			GIPE	Marketing and Customer Relations	M&CR Grid Strat&Plan-Electric - Capital	DUTEUCUSGS	T04	-	-	-	-	-	-	-	100.00	
Electric Transmission & Distribution Engineering & Construction - Designs and monitors construction of electric transmission and distribution lines and substations. Supervises and schedule estimates, visits construction sites to ensure that construction activities coincide with plans, and administers construction contracts.	Transmission engineering and construction:	(Electric Transmission Plans) Construction - Expenditures Ratio	UTET	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Utility	UTICONE TR	S18	-	-	-	-	-	-	-	100.00	
			LIBET	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Util MW only	UTMCONET R	S62	-	-	-	-	-	-	-	100.00	
	Distribution engineering and construction:	(Electric Distribution Plans) Construction - Expenditures Ratio	UTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	UTICONE DT	S30	-	-	-	-	-	-	-	-	100.00
			UEED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Util MW only	UTMCONED T	S61	-	-	-	-	-	-	-	-	100.00
Power Engineering & Construction	Designs, monitors and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing electric generating units. Prepares Cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	(Electric Production Plans) Construction - Expenditures Ratio	UTEC	Power Engineering & Construction	Eng & Constr Pwr Prod Util	UTICONPWR	S25	-	-	-	-	-	-	-	100.00	
			UEEC	Power Engineering & Construction	Eng&Constr Pwr Prod Util MW only	UTMCONPWR	S63	-	-	-	-	-	-	-	-	100.00
			UGEG	Power Engineering & Construction	Eng & Constr Gas Util MW only	UTMCONGAS	S64	65.85	7.88	26.35	-	100.00	-	-	100.00	
								-	-	-	-	-	-	-	-	
								-	-	-	-	-	-	-	-	
Human Resources	Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.	Number of Employees Ratio	DGHR	Human Resources	HR Svcs Genlce	DGOVEMPHRS	D62	8.19	0.14	0.78	-	9.11	186	-	100.00	
			DHRE	Human Resources	HR Services Enterprise DE	DENTBPHRS	D04	8.19	0.14	0.78	-	9.11	186	-	100.00	
			UTHR	Human Resources	HR Services Utility	UTEMPHRS	S38	8.35	0.15	0.79	-	9.29	-	-	100.00	
								-	-	-	-	-	-	-	-	
								-	-	-	-	-	-	-	-	
								-	-	-	-	-	-	-	-	

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS																
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total PNG	Total DEK-Gas	Total DEO-Gas	Total Comm Trans - Gas	Gas Utilities Total	Comm Pwr Total	Other Total	Total	
Supply Chain - Provides services in connection with the procurement of materials and contract services, and provides management of material and supplies inventories.	Procurement of materials and contract services and vendor payment processing:	Procurement Spending Ratio	DUSC	Materials Management	Matls Mgmt Sply Chn Util DE	DUTIPROGSPC	D19	8.87	0.78	1.52	-	12.35	-	0.39	100.00	
			DESC	Materials Management	Matls Mgmt Sply Chain Ent DE	DENTPROSPC	D08	8.87	0.88	1.53	-	11.89	10.20	0.38	100.00	
			UPPD	Materials Management	MW ELEC/GAS DELIVERY STOREROOM	UTBRCPMMH	S72	-	4.06	11.63	-	15.69	-	-	100.00	
	Management of materials and supplies inventory:	Inventory Ratio	UTIN	Materials Management	Matls Mgmt Inventory Util	UTINNVSPC	S20	-	-	-	-	-	-	-	100.00	
Facilities	Operates and maintains office and service buildings. Provides security and housekeeping services for such buildings and procures office furniture and equipment.	Square Footage Ratio	GORE	Facilities	RE Facility Svcs/CLT GO	GLTSQFFAC	S27	12.89	-	0.01	0.55	12.75	0.11	-	100.00	
			CNRE	Facilities	RE Fac.Svcs -Cincinnati	CINSQFFAC	S50	18.55	-	5.23	-	23.78	19.44	-	100.00	
			PLRE	Facilities	RE Fac.Svcs - Plainfield	PLDSQFFAC	S51	-	-	-	-	-	2.62	-	100.00	
			MWRE	Facilities	RE Facility Services MW Utility	UTMSQFFAC	S71	-	2.15	12.12	-	14.27	-	-	100.00	
		DERE	Facilities	RE Facility Services Ent DE	OENT3FFAC	D39	7.90	-	0.19	0.32	8.41	0.97	-	100.00		
Accounting	Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.	Three Factor Formula	DGAC	Accounting	Accounting Gwnee	DGOV3FFACT	DG1	5.89	0.43	1.58	0.01	8.01	3.28	0.12	100.00	
			DGVP	Accounting	VSP - Governance DE	DGOV3FFVSP	DG3	-	0.46	1.68	0.01	2.15	3.58	0.13	100.00	
			PGVP	Accounting	VSP - Governance	PRGV3FFVSP	PG3	-	-	-	-	-	-	-	100.00	
			DEAC	Accounting	Accounting Svcs Ent DE	OENT3FFACT	D03	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00	
			UTAC	Accounting	Acctg Svcs Utility	UT13FFACT	S09	6.21	0.44	1.64	0.01	8.30	-	-	100.00	
			UHAC	Accounting	Acctg Svcs Util MW FE&G only	UTM3FFACT	S53	-	2.56	8.87	-	11.43	-	-	100.00	
			OOEP	Accounting	O&S Depreciation DE	OENT3FFDEP	D49	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00	
			PRDP	Accounting	SrvCo Depreciation PE	PR33FFDEPR	P49	-	-	-	-	-	-	-	100.00	
			DGDC	Accounting	Governance CTA Depreciation DE	DGOV3FFDEPP	DG4	-	0.46	1.68	0.01	2.15	3.58	0.13	100.00	
			DCTG	Accounting	CTA Governance DE	DGOV3FFCTA	DG3	-	0.46	1.68	0.01	2.15	3.58	0.13	100.00	
			PNYG	Accounting	Piedmont CTA Gov	GOV3FFCTAP	DG7	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00	
			PMGG	Accounting	Piedmont CTA Gov - Gas Only	GOV3FFCTARG	DG6	75.25	5.30	19.45	-	100.00	-	-	100.00	
			PUDC	Accounting	Governance CTA Depreciation PE	PRV3FFDEPP	PG4	-	-	-	-	-	-	-	100.00	
			DSAC	Accounting	Accounting Gas Only	UT13FFGACT	D03	75.25	5.30	19.45	-	100.00	-	-	100.00	
		Generating Unit MW Capability Ratio (MCR)	DPNL	Accounting	Duke Progress CTA Nuclear	DGOV3FFDPN	CG3	-	-	-	-	-	-	-	-	100.00
			Rate of Return - Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Three Factor Formula	DURR	Facilities Rate of Return Allocation	Facilities ROR Gwnee DE	DGOVENPROR	DG1	5.99	0.43	1.58	0.01	8.01	3.28	0.12
								-	-	-	-	-	-	-	-	
								-	-	-	-	-	-	-	-	
								-	-	-	-	-	-	-	-	

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description		Operating Unit (OU)	Function	OU Description	Allocation Pool	Line Item	Total PNG	Total DEK-Gas	Total DEO-Gas	Total Comm Trans - Gas	Gas Utilities Total	Comm Pwr Total	Wholesale Total	Total
Power Planning and Operations - Coordinates the planning, management and operation of Duke Energy Corporation's electric power systems including additions and retirements to Duke Energy Corporation's electric generation, transmission and distribution systems.	Generation planning:	Elec Peak Load Ratio		Power Planning and Ops	Pwr Plng & Ops Gen Rng Util ND	OUTPGLZP	1	-	-	-	-	-	-	-	-
			DUGE	Power Planning and Ops	Pwr Plng & Ops Gen Rng Util ND	OUTPGLZP		-	-	-	-	-	-	-	100.00
	Transmission planning:	Elec Peak Load Ratio						-	-	-	-	-	-	-	-
			DUTP	Power Planning and Ops	Pwr Plng & Ops Trans Rng Util ND	OUTPKLETR	1332	-	-	-	-	-	-	-	100.00
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio						-	-	-	-	-	-	-	-
			DUOP	Power Planning and Ops	Pwr Plng & Ops Dist Rng Util ND	OUTICMIEDL	D41	-	-	-	-	-	-	-	100.00
Power Planning and Operations - System Operations - coordination of the energy dispatch and operation of Duke Energy Corporation's electric generating units and transmission and distribution systems.	Generation Dispatch:	Sales Ratio	UTGD	Power Planning and Ops	Pwr Plng & Ops Gen Dispatch Util	UTISALGDP	542	-	-	-	-	-	-	-	100.00
								-	-	-	-	-	-	-	-
	Transmission Operations:	Weighted Average of the Circ Miles of Elec Transm Lines Ratio and the Elec Peak Load Ratio	UTTO	Power Planning and Ops	Pwr Plng & Ops Trans Ops Util	UTICMOTR	531	-	-	-	-	-	-	-	100.00
								-	-	-	-	-	-	-	-
								-	-	-	-	-	-	-	-
								-	-	-	-	-	-	-	-
	Distribution Operations:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	UTDO	Power Planning and Ops	Pwr Plng & Ops Dist Ops Util	UTICMIODL	522	-	-	-	-	-	-	-	100.00
								-	-	-	-	-	-	-	-
	Power Operations - provides management and support services for Duke Energy Corporation's electric generation system.	Generating Unit MW Capability /MDC Ratio	REPO	Power Planning and Ops	Pwr Plng & Ops Pwr Ops Reg	REGCARPOP	528	-	-	-	-	-	-	-	100.00
			RQLO	Power Planning and Ops	Reg Coal - All Units (DEBS)	ROLCARPOP	D99	-	-	-	-	-	-	-	100.00
			RCTO	Power Planning and Ops	Reg CT/CC -All Units (DEBS)	RCTCARPOP	598	-	-	-	-	-	-	-	100.00
			RMWO	Power Planning and Ops	Reg Coal/CT - Midwest (DEBS)	REGMCARPOP	599	-	-	-	-	-	-	-	100.00
Public Affairs	Wholesale Power Operations - coordination of Duke Energy Corporation's wholesale power operations.	Sales Ratio						-	-	-	-	-	-	-	-
								-	-	-	-	-	-	-	-
	Prepares and disseminates information to employees, customers, government officials, communities and the media.	Insertion Formula	DGPA	Public Affairs	Pub Affs Gwitec	DGOV3FFPAF	DG1	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
	Provides graphics, reproduction lithography, photography and video services.		DGPP	Public Affairs	Public Policy Gwince	DGOV3FFPRO	DG1	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
	Utility Specific Activities	Weighted Average of # of Customers Ratio and # of Employees Ratio	DOPA	Public Affairs	Public Affairs Services Ent DE	DENT3FFPAF	D03	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00
Legal			UTPA	Public Affairs	Public Affairs Services Utilit	UTICUSPAF	S24	9.98	0.60	2.69	-	13.23	-	-	100.00
								-	-	-	-	-	-	-	-
	Refers services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.	Three Factor Formula	DLEE	Legal	Legal Governance	DGOV3FFLEG	CG1	-	0.78	2.87	0.03	3.68	5.96	0.28	100.00
			ENLE	Legal	Legal Governance	GOV3FFLEG	DG1	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			PGLG	Legal	Legal Governance PE	PRGV3FFLEG	PG1	-	-	-	-	-	-	-	100.00
Rates			UTLE	Legal	Legal Services Utility	UTISFFLEG	S09	6.21	0.44	1.64	0.01	8.30	-	-	100.00
	Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.	Sales Ratio	UTRA	Rates	Rates/Utility	UTISALRAT	544	10.10	1.50	7.82	-	19.52	-	-	100.00
			UGRA	Rates	Rates Swcs Util DEO DEK only	UTOSALRAT	555	-	6.68	31.48	-	38.16	-	-	100.00
			UWRA	Rates	Rates DEO & DEK Reg	UTMSALRAT	S86	-	6.66	45.73	-	54.39	-	-	100.00

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS							Total PNG	Total DEK- Gas	Total DEO- Gas	Total Comm Trans - Gas	Gas Utilities Total	Comm Pwr Total	Other Total	Total
Function	Function Description	Three Factor Formula	Operating Unit (OU)	Function	OU Description	Allocation Pool								
Finance	Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts and economic analyses.	Three Factor Formula	DGFI	Finance	Financial Svcs Gvrnce	DGOV3FFFIN	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			DFTI	Finance	Financial Svcs OE	DGOV3FFFIN	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00
			UTFI	Finance	Financial Services Utility	UTD3FFFIN	6.21	0.94	1.64	0.01	8.30	-	-	100.00
			UMFI	Finance	Financial Svc Util MW REG only	UTMD3FFFIN	-	2.56	8.87	-	11.43	-	-	100.00
Rights of Way - Purchases, surveys, records, and sells real estate interests for Client Companies.	Services related to electric distribution system:	Circuit Miles of Electric Dist. Lines Ratio	DURD	Rights of Way	Right of Way ED Sys Util ND	OUTD3CIRW	-	-	-	-	-	-	-	-
			DURG	Rights of Way	Right of Way Gen Sys Util ND	OUTD3KGRWG	-	-	-	-	-	-	-	100.00
	Services related to electric generation system:	Elec Peak Load Ratio	DURW	Rights of Way	Right of Way ET Sys Util ND	OUTD3CIRW	-	-	-	-	-	-	-	-
	Services related to electric transmission system:	Circuit Miles of Electric Transm Lines Ratio	DURW	Rights of Way	Right of Way ET Sys Util ND	OUTD3CIRW	-	-	-	-	-	-	-	100.00
Internal Auditing	Reviews internal controls and procedures to ensure that assets are safeguarded & that transactions are properly authorized & recorded.	Three Factor Formula	DGIA	Internal Auditing	Internal Audit Gvrnce	DGOV3FFIAU	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			DUIA	Internal Auditing	Internal Audit Svcs Utility OE	OUTD3FFIAU	6.21	0.94	1.64	0.01	8.30	-	-	100.00
Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements, and provides EHS compliance support to the Client Companies' personnel.	Three Factor Formula	DGEA	Environmental, Health and Safety	Envir Affrs Gvrnce	DGOV3FFENV	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			DNEA	Environmental, Health and Safety	Enviro Affairs Svcs Ent	ENTD3FFENV	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00
	Utility Specific Activities	Sales Ratio	UTEA	Environmental, Health and Safety	Enviro Affairs Svcs Utility	UTD3FFENV	10.10	1.50	7.92	-	19.52	-	-	100.00
Fuels	Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio	UTFW	Fuels	Fuels Utility	UTISALTUE	-	-	-	-	-	-	-	100.00
							-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-
Investor Relations	Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.	Three Factor Formula	DGIR	Investor Relations	Investor Rel Gvrnce	DGOV3FFIRN	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
							-	-	-	-	-	-	-	-
Planning	Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.	Three Factor Formula	DG9S	Planning	Planning Svcs Gvrnce	DGOV3FFPLN	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			DGCD	Planning	Corp Divisnnt Gvrnce	DGOV3FFCDO	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			DGPS	Planning	Planning Svcs Enterprise OE	DENTD3FFPLN	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00
			DUPS	Planning	Planning Svcs Utility OE	OUTD3FFPLN	6.21	0.94	1.64	0.01	8.30	-	-	100.00
Executive	Provides general administrative and executive management services.	Three Factor Formula	DGEX	Executive	Exec Governance	DGOV3FFEXC	5.99	0.43	1.58	0.01	8.01	3.28	0.12	100.00
			BNEX	Executive	Exec Services Enterprise	ENTD3FFEXC	5.99	0.43	1.58	0.01	8.01	3.28	0.11	100.00
			UTEX	Executive	Exec Services Utility	UTD3FFEXC	6.21	0.94	1.64	0.01	8.30	-	-	100.00
			UMEX	Executive	Executive Svc Util MW REG only	UTMD3FFEXC	-	2.56	8.87	-	11.43	-	-	100.00
			UOEX	Executive	Exec Svcs Utility DEO DEK only	UTD3FFEXC	-	6.00	22.56	-	29.16	-	-	100.00
			DGSC	Executive	Stock Comp Legacy OE	DGOV3FFSTK	-	0.78	2.87	0.03	3.68	5.96	0.34	100.00

2021 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description	Three Factor Formula	Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd	Total PNG	Total DEK- Gas	Total DEO- Gas	Total Comm Trans - Gas	Gas Utilities Total	Comm Pwr Total	Other Total	Total
Executive	Provides general administrative and executive management services.		DGGP	Executive	ESP Other Governance	DGOV3ITE5P	DG7	5.99	0.43	1.38	0.01	8.01	3.28	0.12	100.00
			PSTK	Executive	Stock Comp Legacy PGN	PRGV3PFTK	PG1	-	-	-	-	-	-	-	100.00
Interest	Allocates Interest		DEAL	Interest	Acctg Interest Svc Enterprise DE	DBNTINTACT	D52	5.70	0.51	2.12	0.10	8.43	1.67	-	100.00

## **I. GUIDELINES AND PROCEDURE FOR CHARGING AFFILIATES FOR COSTS ORIGINATING WITH DEC/DEP/PIEDMONT**

On occasion, DEC/DEP/Piedmont's employees may be requested to provide support, subject to availability, to Affiliates and Nonpublic Utility Operations. DEC/DEP/Piedmont's management is responsible for ensuring that use of all company resources to support Affiliate work is properly charged to the Affiliate/Nonpublic Utility Operation. Rules regarding affiliate agreements between DEC/DEP/Piedmont and any Affiliate/Nonpublic Utility Operation are described in Section E. *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates* incorporated in this CAM. DEC/DEP/Piedmont will charge the Affiliate/Nonpublic Utility Operation the higher of fully distributed cost or market value. Charging the Affiliate/Nonpublic Utility Operation either market or fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. DEC/DEP/Piedmont's management is accountable for the review and approval of all charges from the utility in support of Affiliate/ Nonpublic Utility Operation work. An Affiliate Rules and Transactions CBT (emphasis on DEC/DEP/Piedmont) is available on the employee Portal.

Costs covered by the utility affiliate loader are handled by utility departmental allocations and a change to the Service Company allocation basis. These steps eliminate the need for a utility affiliate loader between DEC and DEP, because the costs of the utility affiliate loader are now addressed in a simplified fashion between the two Companies. The utility affiliate loader still applies for all labor charged outside of DEC and DEP to their affiliates.

The following procedure addresses employees' and management's responsibilities.

#### **A. General Guidelines**

1. Hours worked by DEC/DEP/Piedmont employees in direct support of an Affiliate/ Nonpublic Utility Operation are charged directly to the Affiliate.
2. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by DEC/DEP/Piedmont to an Affiliate/ Nonpublic Utility Operation (timesheets, employee expenses, etc.).
3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to an Affiliate/ Nonpublic Utility Operation.
4. Transactions originating with DEC/DEP/Piedmont and charged to an Affiliate typically require the completion and approval of a Service Request form. The process and eForm can be found on the Portal under Rates & Regulatory.

#### **B. Time Reporting**

When a DEC/DEP/Piedmont employee supports an Affiliate/Nonpublic Utility Operation:

1. Hours worked by DEC/DEP/Piedmont employees in direct support of an Affiliate/Nonpublic Utility Operation are charged directly to the Affiliate/Nonpublic Utility Operation.
2. Overtime hours worked by a non-exempt employee during a week should be applied first to the Affiliate/Nonpublic Utility Operation project, up to total hours worked on the project.
  - a) If overtime pay is charged to the utility but not the Affiliate/Nonpublic Utility Operation in a time reporting period, the reason for the exception shall be fully documented and maintained by the supervisor for a minimum of two years.
  - b) For example, a non-exempt employee works 50 hours for a given week, 10 of which must be paid as overtime. Twenty of the 50 hours were in support of an Affiliate project. That project should be charged 10 hours overtime and 10 hours straight-time.
3. When an exempt employee who is paid semi-monthly provides support to an Affiliate/ Nonpublic Utility Operation, and overtime is worked, the employee's regular semi-

monthly pay is prorated to the utility and the Affiliate/Nonpublic Utility Operation based on the number of hours worked for each.

4. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for paid supplemental compensation.
5. The financial system will automatically load time reported to an Affiliate/Nonpublic Utility Operation with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the business finance support group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

### **C. Labor Allocations**

DEC/DEP/Piedmont employees may provide services to their regulated Utility Affiliates at DEC's, DEP's, or Piedmont's fully distributed costs and DEC/DEP/Piedmont employees may provide services to Duke Energy Corporation, a Non-Utility Affiliate, a non-regulated Utility Affiliate or Nonpublic Utility Operation at the higher of fully distributed cost or market value, subject to certain exceptions. The mechanism for charging is generally a cost applied to labor charges and a market value journal entry if applicable. Allocation rates described in items 1 through 10 below are applied as a cost factor to direct labor charged to an Affiliate/Nonpublic Utility Operation.

Below are the various cost components of labor loads. The rates for Items 1-4 may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 are components of Duke Energy's Regulated Utilities Franchised Electric and Gas labor cost multiplier and are updated annually. Items 5-10 do not apply to transactions between DEC and DEP.

#### **1. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement, and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among

business units.

## **2. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

## **3. Incentive Allocation**

Incentives are accrued via a loading factor applied to direct labor charges by the DEC/DEP/Piedmont employee performing work for an Affiliate/Nonpublic Utility Operation.

## **4. Unproductive Cost Allocation**

An unproductive cost allocation is applied on the basis of direct labor charges by the DEC/DEP/Piedmont employee performing work for an Affiliate/Nonpublic Utility Operation. DEC/DEP/Piedmont allocates unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

Duke Energy intends to calculate Items 5-10 below on a total Regulated Utilities Franchised Electric and Gas (“FE&G”) basis with the calculations to be performed annually. Annualized costs (either historic or projected) that best align with the current organization will be used in the calculations.

## **5. Administrative Overheads**

An Administrative Overhead Rate will be applied on the basis of direct labor charges. Administrative Overheads include: Departmental administrative functions (Business Support and General Office Executive Management), labor, and non-labor costs (e.g., training, employee expenses, Information Management costs for administrative functions by functional department).

## **6. Corporate Governance**

A corporate governance cost rate is applied on the basis of direct labor charges. The corporate governance rate is based on corporate governance costs allocated to FE&G.

## **7. Employee Training Costs**

An employee training cost rate is applied on the basis of direct labor charges. The employee training-related costs factor will be developed by identifying the direct labor charges for those within Regulated Utilities that perform employee training-related tasks. Such training provides employees with the knowledge and skills necessary to perform their job duties, for professional development, and to maintain professional or technical licenses or for certifications required for business operations. The employee training cost rate is based on the total direct labor charges of the groups within Regulated Utilities that perform employee training-related tasks.

## **8. Service Company Costs**

A service company cost rate is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

## **9. Facilities Cost**

The facilities cost rate is applied on the basis of direct labor charges. The facility cost rate is based on the annual cost structure for corporate facilities, i.e., Charlotte, Raleigh, Cincinnati, St. Petersburg and Plainfield office buildings, and the number of employees occupying these facilities to arrive at an average facility cost.

## **10. Supervisory Costs**

The supervisory cost rate is applied on the basis of direct labor charges. The supervisory cost rate represents the cost of supervision related to a Regulated Utilities employee performing work for an Affiliate Business unit. The basis for determining such costs is through the analysis of supervisory labor cost as a factor of Regulated Utilities employee labor cost.

#### **D. Premium Services (Non-affiliate transactions)**

Premium services are unregulated services provided by DEC, DEP or Piedmont to its respective utility customers. All costs related to premium services are either direct-charged or allocated to non-utility accounts. Costs identified in subsections C.1. through C.4. above are automatically allocated based on labor charges to premium services processes. An additional multiplier rate is also applied to labor charged to these premium services processes to cover costs such as facilities, administrative and corporate overheads, employee training and supervision, and shared services.

## **J. UTILITY TO UTILITY COST DISTRIBUTION DETAILS**

*The following are Utility allocations that run on Duke Energy Carolinas and Duke Energy Progress:*

2021 Utility Level Allocations																
Function	Function Description		Operating Unit (OU)	Function	OU Description	Pool	St Of	Total DEC	Total DEP	Total DEF	Total DEI	Total DEK	Total DEO	Electric Utilities Total	Gas Utilities Total	Total
Electric System Maintenance - Coordinates maintenance and support of electric transmission and distribution systems.	Services related to transmission systems	Circuit Miles of Electric Trans/Lines Ratio	OTTR	Electric System	ESS Bec Tran Utility	OTIOMETR	Q15	41.74	20.01	15.64	17.04	0.34	5.23	100.00	-	100.00
			PTTR	Electric System	ESS Bec Tran Utility	POTIOMETR	Q15	41.74	20.01	15.64	17.04	0.34	5.23	100.00	-	100.00
			OTDC	Electric System	ESS Bec Tran Utility	OTCOMIET	Q98	67.59	32.41	-	-	-	-	100.00	-	100.00
			PTDC	Electric System	ESS Bec Tran Utility	POTCOMIET	Q98	67.59	32.41	-	-	-	-	100.00	-	100.00
			OTDI	Electric System	ESS Bec Dist Utility	OTIOMEDT	C-6	39.23	25.58	16.61	11.28	1.09	6.21	100.00	-	100.00
	Services related to distribution systems	Circuit Miles of Electric Dist. Lines Ratio	PTDI	Electric System	ESS Bec Dist Utility	POTIOMEDT	Q16	39.23	25.58	16.61	11.28	1.09	6.21	100.00	-	100.00
			OTDC	Electric System	ESS Bec Dist Utility	OTCOMIED	Q93	60.53	39.47	-	-	-	-	100.00	-	100.00
			PTDC	Electric System	ESS Bec Dist Utility	POTCOMIED	Q93	60.53	39.47	-	-	-	-	100.00	-	100.00
			OTDI	Electric System	ESS Bec Dist Utility	OTIOMIED	Q93	60.53	39.47	-	-	-	-	100.00	-	100.00
			PTDI	Electric System	ESS Bec Dist Utility	POTIOMIED	Q93	60.53	39.47	-	-	-	-	100.00	-	100.00
Marketing and Customer Relations Grid Solutions- Advises the Client Companies in relations with domestic utility customers.	Design and administration of market solutions standard and/or operational programs.	Number of Customers Ratio	OTSD	M&CR	M&CR Sales & Demand Util	OTIISALMCR	Q17	54.33	-	-	17.12	2.94	14.70	89.09	10.91	100.00
			PCSD	M&CR	M&CR Sales & Demand Util	POTIISALST	Q32	54.33	-	-	17.12	2.94	14.70	89.09	10.91	100.00
			MSPS	M&CR	Mit Sol - DEP Leg Duk	DEPISALSTD	U04	60.98	-	-	19.21	3.30	16.51	100.00	-	100.00
			ONET	M&CR	Customer Strategy P&S	OTIISALNET	Q75	60.98	-	-	19.21	3.30	16.51	100.00	-	100.00
			POINT	M&CR	Customer Strategy P&S	POTIISALNE	Q93	60.98	-	-	19.21	3.30	16.51	100.00	-	100.00
			OSTD	M&CR	Standard Services	OTIISALSTD	U17	54.33	-	-	17.12	2.94	14.70	89.09	10.91	100.00
			MSCS	M&CR	Mit Sol - DEC Duke Std	DECSALSTD	U03	60.98	-	-	19.21	3.30	16.51	100.00	-	100.00
			OTNT	M&CR	M&CR Sales&Demand Util	OTIISALMCR	Q74	33.87	20.32	24.13	10.67	1.84	9.17	100.00	-	100.00
			PCNA	M&CR	REC Customer Elec Only	POTIISALMCR	Q78	33.87	20.32	24.13	10.67	1.84	9.17	100.00	-	100.00
			PRNA	M&CR	DEF Customer Elec Only	DEFCUSLEEC	Q79	33.87	20.32	24.13	10.67	1.84	9.17	100.00	-	100.00
	Customer meter reading, billing and payment processing, Market Solutions Roll-Pull processes.	Number of Customers Ratio	CTMR	M&CR	M&CR Mtr Rtd&Rmt Proc Util	CTIICUSRMT	Q37	54.33	-	-	17.12	2.94	14.70	89.09	10.91	100.00
			PCDA	M&CR	M&CR Mtr Rtd&Rmt Proc Util	POTIICUSRMT	Q35	54.33	-	-	17.12	2.94	14.70	89.09	10.91	100.00
			PRDA	M&CR	M&CR Mtr Rtd&Rmt Proc Util	RUTIICUSRMT	Q33	54.33	-	-	17.12	2.94	14.70	89.09	10.91	100.00
			CTMR	M&CR	M&CR Customers Util ND	CTIICUSRMT	Q38	31.72	19.03	22.59	9.99	1.72	8.58	93.63	6.37	100.00
			CTMR	M&CR	Mit Sol - DEEC Utilities Std	CTIICUSRMT	Q99	33.87	20.32	24.13	10.67	1.84	9.17	100.00	-	100.00
			PCMR	M&CR	M&CR Customers Util ND	POTIICUSRMT	Q84	31.72	19.03	22.59	9.99	1.72	8.58	93.63	6.37	100.00
			PCMR	M&CR	Mit Sol - DEP Util Std	POTIICUSRMT	U02	33.87	20.32	24.13	10.67	1.84	9.17	100.00	-	100.00
			PRMR	M&CR	M&CR Customers Util ND	RUTIICUSRMT	Q98	31.72	19.03	22.59	9.99	1.72	8.58	93.63	6.37	100.00
			PRMS	M&CR	Mit Sol - DEF Util Std	RUTIICUSRMT	U11	33.87	20.32	24.13	10.67	1.84	9.17	100.00	-	100.00
			PRMV	M&CR	DEFW&CR Mtr Rtd&Rmt Proc Util	RUTIICUSRMT	Q60	-	-	-	37.48	6.44	82.20	76.12	23.88	100.00
			CTMR	M&CR	M&CR Mtr Rtd&Rmt Proc Util	CTIICUSRMT	Q50	-	-	-	37.48	6.44	82.20	76.12	23.88	100.00
Electric Transmission & Distribution Engineering & Construction - Designs & monitors construction of electric transmission & distribution lines & substations. Prepares cost & schedule estimates, visits construction sites to ensure that construction activities coincide with plans, & administers construction contracts.	Transmission engineering and construction:	(Electric Transmission Plant's) Construction - Expenditures Ratio	OTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Utility	OTIIONEDTR	Q18	22.04	18.38	36.66	15.30	0.48	7.14	100.00	-	100.00
			PTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Utility	POTIIONEDTR	Q19	22.04	18.38	36.66	15.30	0.48	7.14	100.00	-	100.00
	Distribution engineering and construction:	(Electric Distribution Plant's) Construction - Expenditures Ratio	OTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	OTIIONEDTR	Q30	34.53	25.05	22.66	8.39	1.63	7.74	100.00	-	100.00
			PTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	POTIIONEDTR	Q30	-	-	-	-	-	-	-	-	-
			PTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	POTIIONEDTR	Q30	34.53	25.05	22.66	8.39	1.63	7.74	100.00	-	100.00
Power Engineering & Construction	Monitors and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing electric generating units. Prepares cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	(Electric Production Plant's) Construction - Expenditures Ratio	OTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTIIONPWR	Q15	47.95	25.60	20.39	5.07	0.99	-	100.00	-	100.00
			Q15	-	-	-	-	-	-	-	-	-	-			
			Q15	-	-	-	-	-	-	-	-	-	-			
			Q15	-	-	-	-	-	-	-	-	-	-			
Power Planning and Operations - Coordinates the planning, management & operation of Duke Energy Corporation's electric power systems. The activities of the Function include System Planning - planning of additions & retirements to Duke Energy Corporation's electric generation, transmission & distribution systems.	Generation planning:	Electric Peak Load Ratio	OTCE	Power Planning and Ops	Pwr Rng&Qps Gen Rng Util	CTIIPNLGA	Q21	38.23	28.43	19.23	12.38	1.73	-	100.00	-	100.00
	Transmission planning:	Electric Peak Load Ratio	OTTP	Power Planning and Ops	Pwr Rng&Qps Trans Rng Util	CTIIPNLETR	Q32	38.16	22.76	18.85	12.06	1.32	6.85	100.00	-	100.00
	Transmission planning:	Electric Peak Load Ratio	PTTP	Power Planning and Ops	Pwr Rng&Qps Trans Rng Util	POTIIPNLETR	Q32	38.16	22.76	18.85	12.06	1.32	6.85	100.00	-	100.00
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Electric Peak Load Ratio	OTDP	Power Planning and Ops	Pwr Rng&Qps Dist Rng Util	CTIIPNIEDL	Q41	38.68	24.16	17.74	11.67	1.21	6.54	100.00	-	100.00
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Electric Peak Load Ratio	PTDP	Power Planning and Ops	Pwr Rng&Qps Dist Rng Util	POTIIPNIEDL	Q41	-	-	-	-	-	-	-	-	-
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Electric Peak Load Ratio	PTDP	Power Planning and Ops	Pwr Rng&Qps Dist Rng Util	CTIIPNIEDL	Q41	38.68	24.16	17.74	11.67	1.21	6.54	100.00	-	100.00
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Electric Peak Load Ratio	PTDP	Power Planning and Ops	Pwr Rng&Qps Dist Rng Util	POTIIPNIEDL	Q41	-	-	-	-	-	-	-	-	-
	Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Electric Peak Load Ratio	PTDP	Power Planning and Ops	Pwr Rng&Qps Dist Rng Util	CTIIPNIEDL	Q41	-	-	-	-	-	-	-	-	-

2021 Utility Level Allocations							St Cl	Cl2	Total	Total	Total	Total	Total	Total	Electric	Gas	Total
Function	Function Description	Sales Ratio	Operating Unit (OU)	Function	OU Description	Pool			DEC	DEP	DEF	DEI	DEK	DEO	Utilities Total	Utilities Total	
Power Planning and Operations - System Operations - coordination of the energy dispatch and operation of Duke Energy Corporation's electric generating units and transmission and distribution systems.	Generation Dispatch:	Sales Ratio	CTGD	Power Planning and Ops	Pwr Plng&Ops Gen Dspch Util	CTISALGDP	G31		28.24	23.50	29.95	15.82	2.49	-	100.00	-	100.00
	Transmission Operations:	Weighted Average of the Circ Miles of Elec Transm Lines Ratio and the Elec Peak Load Ratio	CTTO	Power Planning and Ops	Pwr Plng&Ops Trans Ops Util	CTTOMICTR			39.93	21.39	17.25	14.55	0.83	6.05	100.00	-	100.00
									-	-	-	-	-	-	-	-	-
	Distribution Operations:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	CTDO	Power Planning and Ops	Pwr Plng & Ops Dist Ops Util	CTTOMICDL	G22		38.68	24.16	17.74	11.67	1.21	6.54	100.00	-	100.00
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
	Power Operations - provides management and support services for Duke Energy Corporation's electric generation system.	Generating Unit MW Capability/MDCRatio	CEPO	Power Planning and Ops	Pwr Plng & Ops Pwr Ops Reg	CEGCARPOP	G28		30.23	23.39	26.69	16.86	2.83	-	100.00	-	100.00
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.	Sales Ratio	CTEA	Environmental, Health and Safety	Enviro Affairs Svcs Utility	CTISALENV	G47		28.56	20.46	13.71	9.85	1.33	6.57	80.48	19.52	100.00
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
Fuels	Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio	CTHS	Fuels	Fuels Utility	CTTISALHS	G48		28.24	23.50	29.95	15.82	2.49	-	100.00	-	100.00
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-	-	-	-
Nuclear	Provides general support services for the Nuclear fleet.	Generating Unit MW Capability/MDCRatio	ONUE	Nuclear	DEC/Nuclear Fixed Distribution	CJNUEGSI	G49		66.70	33.30	-	-	-	-	100.00	-	100.00
			PNUC	Nuclear	REC/Nuclear Fixed Distribution	PUNUEGSI	G50		66.70	33.30	-	-	-	-	100.00	-	100.00
Fossil Hydro	Coal Combustion - provides centralized management, governance and support services for Duke Energy's Corporation's coal combustion residuals	MDCRatio	CCOM	Fossil	Coal Combustion Products O&M	DEC_CCOM	CCP		43.64	25.46	-	27.12	3.78	-	100.00	-	100.00

## **K. GUIDELINES AND PROCEDURE FOR CHARGING DEC/DEP/PIEDMONT FOR COSTS ORIGINATING WITH UTILITY AFFILIATES EXCLUDING THE SERVICE COMPANY**

On occasion, Utility Affiliate (DEF, DEI, DEK, DEO-Transmission or D E O - Distribution) employees may be requested to provide support, subject to availability, to DEC/DEP/Piedmont. Affiliate management is responsible for ensuring that the use of all company resources to support DEC/DEP/Piedmont is properly charged to DEC/DEP/Piedmont. The Utility Affiliate will charge its fully distributed cost to DEC/DEP/Piedmont. Charging DEC/DEP/Piedmont fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. The Utility Affiliate management is accountable for the review and approval of all charges from the Utility Affiliate in support of DEC/DEP/Piedmont work. An Affiliate Rules and Transactions CBT (emphasis on DEC/DEP/Piedmont) is available in the Training Connection on the Portal.

Please reference Section I. *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, which addresses eliminating a utility affiliate loader between DEC and DEP. The following procedure addresses the responsibilities of employees and management.

### **A. General Guidelines**

1. Hours worked by the Utility Affiliate employees in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Utility Operations to DEC/DEP/Piedmont (timesheets, employee expenses, etc.).
3. First-line supervisors/managers are responsible for reviewing any reports that detail monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to DEC/DEP/Piedmont.

4. Utility Affiliate to DEC/DEP/Piedmont transactions typically require the completion and approval of a Service Request form, unless DEC/DEP/Piedmont is requesting the service from the other. The process and eForm can be found on the Portal under Rates & Regulatory.

## **B. Time Reporting**

When a Utility Affiliate employee supports DEC/DEP/Piedmont:

1. Hours worked by the Utility Affiliate employees in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for paid supplemental compensation.
3. The financial system will automatically load time reported to DEC/DEP/Piedmont with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the Regulated Utility Financial Planning & Analysis group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

## **C. Labor Allocations**

Utility Affiliate employees provide services to DEC/DEP/Piedmont at fully distributed cost. The mechanism for charging DEC/DEP/Piedmont is generally a cost adder applied to labor charges and a market value journal entry if applicable. Allocation rates described in items 1 through 10 below are applied as a cost factor to direct labor charged to DEC/DEP/Piedmont. Below are the various cost components of labor loads. The rates for Items 1-4 may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 are components of Duke Energy's Regulated Utilities labor cost multiplier and are updated annually.

### **1. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These

costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

## **2. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

## **3. Incentive Allocation**

Incentives are allocated via a loading factor applied to direct labor charges by each Utility Affiliate employee performing work for DEC/DEP/Piedmont.

## **4. Unproductive Cost Allocation**

An unproductive cost allocation is applied on the basis of direct labor charges by each Utility Affiliate employee performing work for DEC/DEP/Piedmont. Each Utility Affiliate allocates unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

Duke Energy intends to calculate Items 5-10 below on a total Regulated Utilities basis with the calculations to be performed annually. Annualized costs (either historic or projected) that best align with the current organization will be used in the calculations. Please reference Section I. *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, details of Items 5-10. Items 5-10 do not apply to transactions between DEC and DEP.

## **5. Administrative Overheads**

## **6. Corporate Governance**

## **7. Employee Training Costs**

## **8. Service Company Costs**

## **9. Facilities Cost**

## **10. Supervisory Costs**

## **L. GUIDELINES AND PROCEDURE FOR CHARGING DEC/DEP/PIEDMONT FOR COSTS ORIGINATING WITH NON-REGULATED AFFILIATES**

On occasion, employees of Non-Regulated Affiliates may be requested to provide support, subject to availability, to DEC/DEP/Piedmont. (Non-Regulated Affiliates' management is responsible for ensuring that use of all company resources to support DEC/DEP/Piedmont work is properly charged to DEC/DEP/Piedmont.) Rules regarding affiliate agreements between Non-Regulated Affiliates and DEC/DEP/Piedmont are described in Section E. *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates* incorporated in this CAM. Non-Regulated Affiliates will charge DEC/DEP/Piedmont the lower of fully distributed cost or market value as appropriate. Charging DEC/DEP/Piedmont either market or fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. Non-Regulated management is accountable for the review and approval of all charges from Non-Regulated Affiliates in support of DEC/DEP/Piedmont's work.

The following procedure addresses employee's and manager's responsibilities.

### **A. General Guidelines**

1. Hours worked by employees of Non-Regulated Affiliates in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. First-line supervisors should review and approve, when appropriate, any source documentation resulting in a charge by Non-Regulated Affiliates to DEC/DEP/Piedmont (timesheets, employee expenses, etc.).
3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include charges incurred by the responsibility center to DEC/DEP/Piedmont.
4. Non-Regulated to DEC/DEP/Piedmont transactions typically require the completion and approval of a Service Request form. The process and eForm can be found on the Portal under Rates & Regulatory.

## **B. Time Reporting**

When a Non-Regulated employee supports DEC/DEP/Piedmont:

1. Hours worked by Non-Regulated employees in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for paid supplemental compensation.
3. The financial system will automatically load time reported to DEC/DEP/Piedmont with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the Non-Regulated Affiliate's financial group to appropriately adjust the costs to market.

## **C. Labor Allocations**

Non-Regulated employees provide services to DEC/DEP/Piedmont at the lower of fully distributed cost or market value. The mechanism for charging DEC/DEP/Piedmont is generally a cost adder applied to labor charges. When appropriate to charge market, a market value journal entry is made. Allocation rates described in items 1 through 10 may be applied as a cost factor to direct labor when charging DEC/DEP/Piedmont.

Below are the various cost components of labor loads which may be applied to labor when Non-Regulated Affiliates do work for and charge DEC/DEP/Piedmont. The rates for Items 1-4 (specific to Non-Regulated Affiliates) may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 may also be included as components of Non-Regulated Affiliates' labor cost multiplier.

### **1. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

## **2. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

## **3. Incentive Allocation**

Incentives are allocated via a loading factor applied to direct labor charges by the Non-Regulated employee performing work for DEC/DEP/Piedmont.

## **4. Unproductive Cost Allocation**

An unproductive cost allocation is applied on the basis of direct labor charges by the Non-Regulated employee performing work for DEC/DEP/Piedmont. Non-Regulated Affiliates allocate unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

Please reference Section I. *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, details of Items 5-10.

## **5. Administrative Overheads**

## **6. Corporate Governance**

## **7. Employee Training Costs**

## **8. Service Company Costs**

## **9. Facilities Cost**

## **10. Supervisory Costs**

## **M. TYPICAL TRANSACTIONS BETWEEN DEC/DEP/PIEDMONT AND AFFILIATES COVERED UNDER SEPARATE AGREEMENTS**

The following are some of the typical transactions that DEC/DEP/Piedmont conduct with one another or their affiliates under separate agreements not otherwise discussed in this manual. The related agreements and others can be found on the State Regulatory Compliance Portal page, or are available upon request.

### **A. Bison Insurance**

Duke Energy's Insurance program requires that costs be identified and allocated to the business units based upon their contributions to the risk of the entire company. The programs are designed to encourage risk control, early claims reporting, and efficient claims management and allow for cost-based pricing. This is accomplished by transferring the insurable losses across the company to the captive insurance companies, generally after a small business unit deductible is met. The captives also reinsure their risk in excess of its retention (and additional deductible) with unrelated third-party reinsurance companies. The captives charge premiums to business units that participate in the program to cover the aggregate cost of reinsurance and the estimated retained losses at the captives. This works essentially the same way commercial insurance works where the losses of a few are covered by the premiums of many.

The primary types of costs to be allocated are:

- retained losses and related loss adjustment expenses
- insurance premiums

Duke Energy has developed specific premium calculation methodologies for each line of coverage (i.e., general liability, property, workers' compensation and directors and officers), which is similar to how commercial insurance underwrites risk. Insurance premiums (costs) are generally allocated on a blended basis of exposure and historical loss experience (frequency and severity).

### **B. Intercompany Asset Transfer Agreement**

An agreement among DEC, DEP, DEF, DEO, DEI, DEK, and Piedmont addresses the

transfer of assets, compensation, payment, warranties, and indemnification. The Commission approved a limited waiver of the cost-based pricing provisions of the Intercompany Asset Transfer Agreement for the transfer between DEC and DEP of rotatable fleet spares, which are specific working parts of a generating unit that must be replaced several during the relatively long life of that unit. *Order Approving Request for Limited Waiver and Pre-Approval of Accounting Authority Pursuant to Rule R8-27*, Docket No. E-2, Sub 998A, E-7, Sub 986A (Sept. 3, 2014).

### **C. Tax Sharing Agreement**

Duke Energy Corporation, as parent of a consolidated group of companies, files federal income taxes on behalf of its affiliates who are members of its consolidated group. Under Duke Energy Corporation's Tax Sharing Agreement, which is applicable to all members of Duke Energy's consolidated group, income taxes allocable to Duke Energy Corporation are accrued by it and consolidated group members on a stand-alone basis.

### **D. Utility Money Pool Agreement**

Establishes a cash management program (the "Utility Money Pool") to coordinate and provide for certain short-term cash and working capital requirements.

### **E. Carolinas Operating Companies Commodity and Related Equipment and Services Transfer Agreement**

Provides for the pre-approved transfer of fuel, reagents, coal combustion products, and related equipment and services (but does not provide for the disposal of coal combustion products). See *Order Accepting Affiliate Agreement and Allowing Payment Thereunder*, Docket Nos. E-2, Sub 998A and E-7, Sub 986A (Feb. 10, 2015).

### **F. Asset Management and Delivered Supply Agreement (AMA)**

Provides for DEC to be the asset manager for all natural gas supply and capacity for both DEC and DEP. The AMA facilitates coordination and optimization of natural gas capacity and supply rights owned by DEC and DEP to reduce the cost of providing electric service to both DEC's and DEP's native load customers.

## **N. OTHER**

### **Audit Principles & Guidelines**

An audit trail shall exist with respect to transactions between DEC/DEP/Piedmont and its affiliates.

Corporate Audit Services will have complete access to affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with established policies and procedures and regulatory requirements. Auditors will have complete access to affiliate records to ensure availability of relevant information necessary to evaluate whether subsidization exists. The auditors, not the individual affiliates, will determine what is relevant for a particular audit objective. Limitation of access would compromise the audit process and impair audit independence.

Cost allocation documentation will be made available to Corporate Audit Services for periodic review of the allocation policies and procedures and to any jurisdictional regulatory authority when appropriate and upon request. Any entity required to provide access to its books and records can, and is encouraged to, make arrangements as necessary and appropriate to ensure that competitively sensitive information provided in the course of the audits be kept confidential by Corporate Audit Services and/or regulatory authorities.

Transactions between DEC/DEP/Piedmont and its Affiliates/Nonpublic Utility Operations will be reviewed at a minimum annually by Corporate Audit Services.